

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS**

GE HFS HOLDINGS, INC.
Formerly known as
HELLER HEALTHCARE FINANCE,
INC.,

Plaintiff,

and

MICHAEL INGOLDSBY,

Intervenor/Plaintiff,

v.

NATIONAL UNION FIRE INSURANCE
COMPANY OF PITTSBURGH, PA, and
INTERNATIONAL INSURANCE
GROUP, LTD.,

Defendants.

CIVIL ACTION No: 05-CV-11128-NG

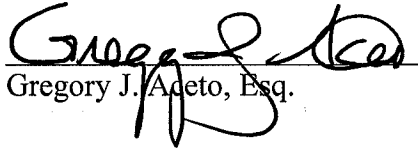
**SECOND AFFIDAVIT OF GREGORY J. ACETO, ESQ. IN OPPOSITION TO
NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA'S
MOTION FOR SUMMARY JUDGMENT**

I, Gregory J. Aceto, Esq., being duly sworn, depose and state as follows:

1. I am an attorney with the law firm of Johnson & Aceto, LLP, 67 Batterymarch Street, Suite 400, Boston, Massachusetts, and am duly licensed to practice law in the courts of the Commonwealth of Massachusetts.
2. I am counsel for the Plaintiff-Intervenor Michael Ingoldsby ("Mr. Ingoldsby" or "Plaintiff-Intervenor").

3. True and correct copies of excerpts from the Deposition of Joni Mason, taken October 23, 2006, are attached hereto as *Exhibit A*.
4. True and correct copies of excerpts from the Deposition of Robert Gadaleta, taken October 23, 2006, are attached hereto as *Exhibit B*.
5. A true and correct copy of email correspondence, dated November 7, 2002, to Attorney E. Joseph O'Neill, as counsel for National Union, regarding coverage for Mr. Ingoldsby's claim is attached hereto as *Exhibit C*.
6. A true and correct copy of Mr. Ingoldsby's formal demand letter, pursuant to M.G.L ch. 93A, dated March 17, 2004, is attached hereto as *Exhibit D*.
7. A true and correct copy of the complete policy, Policy Number 873-87-52, effective date August 4, 2001, provided by National Union during discovery is attached hereto as *Exhibit E*.

Signed under the pains and penalties of perjury this 21st day of December, 2006.


Gregory J. Aceto, Esq.

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

GE HFS HOLDINGS, INC.,)

Formerly known as)

HELLER HEALTHCARE FINANCE, INC.,)

Plaintiff,)

MICHAEL INGOLDSBY,)

Intervenor/Plaintiff,) CIVIL ACTION NO.:

vs.) 05CV-11128-NG

NATIONAL UNION FIRE INSURANCE)

COMPANY OF PITTSBURGH, PA, and)

INTERNATIONAL INSURANCE GROUP, LTD.,)

Defendants.)

Deposition of ROBERT GADALETA, at
199 Water Street, New York, New York,
commencing at 9:50 a.m., Monday,
October 23, 2006, before Sophie Nolan,
a Notary Public of the State of New York.

PAGES 1 - 121



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1 Q. And do you know when endorsement
2 number eight first came into existence?

3 A. I believe it's entitled the 2001
4 version. So -- I believe 2001.

5 Q. Do you know who drafted that
6 endorsement?

7 A. I do not.

8 Q. Do you know which department was
9 responsible for preparing the endorsement?

10 A. I do not.

11 Q. Who at your company would have that
12 knowledge as to who prepared endorsement number
13 eight?

14 A. I don't know.

15 Q. If I can turn your attention,
16 Mr. Gadaleta, to page 236. Can you tell me
17 what specifically section two -- amendments to
18 exclusion 1-H, can you tell me how that
19 contractual liability exclusion relates to the
20 one on page 233?

21 A. It looks to be repeated.

22 Q. Any other relation between the two?

23 A. Not that I can tell.

24 Q. Do you know why it's included twice
25 in endorsement number eight?

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1 A. I do not, no.

2 Q. What's the significance of
3 endorsement number eight not being signed by an
4 authorized representative, if you know? I'm
5 talking about page 238.

6 A. I don't know.

7 Q. To your knowledge, is it no longer
8 binding because it hasn't been executed by an
9 authorized representative?

10 A. I don't know the answer to that.

11 Q. And you don't have any explanation
12 as to why that contractual liability exclusion
13 is in twice in endorsement number eight?

14 A. No.

15 Q. Well, let me ask you this,
16 Mr. Gadaleta, the exclusion in 233 says,
17 "Exclusion 4-F is deleted in its entirety."

18 Did I read that right?

19 MR. HUGHES: What page are you on?

20 MR. ACETO: 233.

21 Q. It refers to exclusion 4-F;
22 correct?

23 A. Yes.

24 Q. And if you go back to 236 it says,
25 "Exclusion 4-H is deleted in its entirety."

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1 Does that help clarify for you the
2 relationship, if any, between the two"?

3 A. I believe it does.

4 Q. So, we would need to go back to the
5 original policy itself, correct, to look at the
6 exclusions; isn't that right?

7 A. I referred back to it. I'm just
8 comparing.

9 Q. Okay, take your time.

10 A. "Reviewing."

11 Q. Do you have a better clarification
12 as to why there's two different contractual
13 liability exclusions in endorsement number
14 eight?

15 A. It would seem that exclusion 4-F
16 refers to the -- to endorsement number one and
17 specifically amends exclusion 4-F.

18 4-H would seem to be -- this page
19 seems to be another endorsement that refers to
20 a different policy.

21 Q. I'm not sure I understand that --
22 your last answer, sir.

23 Page 236 refers to a different
24 policy all together?

25 A. It seems to be part of this policy

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1 based on the heading.

2 Q. Okay.

3 A. Just the letters seem to match
4 up -- don't seem to match up with this policy
5 in terms of definitions.

6 Q. Isn't this -- isn't page 236 saying
7 exclusion 4-H is deleted in its entirety and so
8 if you go to the policy on page 165, exclusion
9 4-H, isn't page 236 deleting the original
10 exclusion 4-H and replacing this language in
11 endorsement number eight?

12 A. It would seem to be.

13 Q. Okay. So, National Union has taken
14 an exclusion that related to pending or prior
15 litigation for the original 4-H and made it a
16 contractual liability exclusion; correct?

17 A. I don't believe that was the
18 intent.

19 Q. And why do you think that?

20 A. Endorsement number one amends the
21 form, so there is a different exclusion H in
22 endorsement number one.

23 Q. And you're referring to which page
24 in endorsement number one?

25 A. 208.

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1 Q. So, what I referred to earlier in
2 the original policy on page 165 was first
3 amended by endorsement number one on page 208;
4 correct?

5 A. Yes.

6 Q. And so now the new language on page
7 208 for exclusion 4-H, it still deals with
8 pending or prior litigation, but it's a little
9 bit more lengthy of an analysis of the
10 exclusion; is that right?

11 A. Yes.

12 Q. Okay, so, going back to the
13 exclusion on page 236 in reference to exclusion
14 4-H, that now replaces the language on page 208
15 for exclusion 4-H; correct?

16 A. It would seem to.

17 Q. So, based on your analysis of the
18 policy as it exists, Mr. Gadaleta, there is two
19 exactly the same contractual liability
20 exclusions in 4-F and in 4-H; correct?

21 A. They seem to be the same.

22 Q. And would there be a reason why
23 National Union would want the exact same
24 language of a contractual liability exclusion
25 in 4-F and in 4-H?

1 A. No.

2 Q. Pages 236 through 238, earlier I
3 think you said something to the effect,
4 Mr. Gadaleta, that they were an endorsement for
5 a different policy; was that your testimony
6 earlier?

7 A. It seems that 236 through 238 are
8 repeated language of what's already in
9 endorsement number eight.

10 Q. And, in fact, it seems to be two
11 endorsement number eights doesn't it, because
12 there's a header at the top of page 231 that
13 says "Endorsement Number Eight" and gives the
14 effective dates of the policy and the policy
15 number and then it's signed on page 235;
16 correct?

17 A. Endorsement number eight is signed
18 on page 235.

19 Q. And how about the first part of my
20 question, that it seems to start on page 231
21 with the header "Endorsement Number Eight," the
22 effective date, the policy number, and the
23 insured's name; correct?

24 A. Correct.

25 Q. And on 236 it does the same thing

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1 over again but it says "Endorsement Number
2 Eight Continued," but it gives the same
3 information again; correct?

4 A. Some parts are repeated. Not all
5 of the endorsement -- the first part of
6 endorsement number eight is repeated.

7 Q. Page 236 follows 235 that has the
8 authorized signature for endorsement number
9 eight; correct?

10 A. Yes.

11 Q. And then, again, as I pointed out
12 earlier, Mr. Gadaleta, there appears to be a
13 line for an authorized representative to sign
14 238 and it was not signed; is that right?

15 A. Page 238 is not signed.

16 Q. Is it typical that National Union
17 would have two authorized representative
18 signature lines for one endorsement?

19 A. I don't believe so.

20 Q. And, so, do you have any
21 explanation as to the, as you put it, the
22 repetitive language of page 236 through 238 of
23 endorsement number eight?

24 A. I am not aware of why the
25 underwriter would -- would use -- would add

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1 liability as interpreted by National Union, and
2 you said it covers mismanagement claims.

3 Do you remember that testimony?

4 MR. HUGHES: I object to that. He
5 said a lot more than that.

6 Q. I understand that. Among other
7 things, you said it covers mismanagement
8 claims?

9 A. Yes.

10 Q. But it really doesn't because
11 mismanagement claims are limited by the
12 contractual liability exclusion; correct?

13 MR. HUGHES: Objection.

14 Go ahead and answer if you can.

15 A. All wrongful acts are limited by
16 the terms and conditions and exclusions of this
17 policy.

18 Q. I understand that. You're reading
19 from the policy manual, Mr. Gadaleta. I'm
20 asking you -- earlier you said that one of the
21 things that this policy would cover is
22 mismanagement claims but it actually won't
23 cover mismanagement claims if it arises out of
24 a contract as interpreted by National Union;
25 correct?

1 A. Any claim that alleges, arises out
2 of, is based upon or attributable to breach of
3 an express contract would not be a covered
4 claim.

5 Q. And another area that you said the
6 policy would cover was employment practices
7 claims; correct?

8 A. Yes.

9 Q. And to get around this -- to
10 clarify this issue of whether it's limited, the
11 coverage is limited by the contractual
12 liability exclusion on page 233, National Union
13 put specifically in there that, in fact, the
14 contractual liability exclusion does not apply
15 to an employment practices claim; correct?

16 A. To the extent that any liability
17 does not arise from such express contract or
18 agreement.

19 Q. So, employment practices claims are
20 also limited by the contractual liability
21 exclusion as well; correct?

22 A. Well, it's -- exclusion 4-F says,
23 "This exclusion shall not apply to employment
24 practices claims to the extent that any
25 liability does not arise from such express

1 contract or agreement."

2 Q. Right. But in actuality because F
3 already talks about an express contract, the --
4 limiting the exclusion -- excuse me, excluding
5 employment practices claims from the -- you're
6 not really -- strike that.

7 The language that is drafted
8 doesn't really provide coverage for employment
9 practices claims subject to the contractual
10 liability exclusion because it has to be by an
11 express contract; correct?

12 MR. HUGHES: Objection as to form.

13 A. I don't understand the question.

14 Q. Focusing on page 233 in the
15 exclusion, Mr. Gadaleta, essentially it says,
16 "Any claims arising out of a contract, an
17 express contract, are excluded"; correct?

18 A. Generally, that's correct.

19 Q. Generally -- speaking generally,
20 then the language says "This exclusion shall
21 not apply to employment practices claims";
22 correct?

23 A. Okay.

24 Q. Except if they're -- if they arise
25 from an express contract or agreement; correct?

1 A. It doesn't say that.

2 Q. It says, "To the extent that any
3 liability does not arise from such express
4 contract or agreement"?

5 A. Yes.

6 Q. Isn't that another way of saying
7 unless -- the employment practices claim will
8 be covered unless they arise from an express
9 contract or agreement, isn't that saying the
10 same thing?

11 A. I don't believe it does.

12 Q. Can you clarify for me, then, if a
13 claim falls within the scope of an employment
14 practices claim, will it be subject to the
15 contractual liability exclusion?

16 A. The term "employment practices
17 claim" is defined. It does not -- if you go
18 back and read it, does not include an express
19 employment contract. So, if a breach of an
20 express employment contract is brought, the
21 contract itself would not be covered, but any
22 other allegations arising or related to that
23 contract would be, subject to all the other
24 terms and conditions of the policy.

25 Q. Can you show me where that language

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1 is in the policy?

2 A. Page 204.

3 Q. And specifically, Mr. Gadaleta,
4 where is the reference to the express contract?

5 A. Express employment contract is not
6 an employment practices violation.

7 Q. Oh, so you're saying it's not
8 specifically listed in here, so it's not an
9 employment practices claim?

10 A. Right.

11 Q. Oh, I see what you're saying. So,
12 you're saying subsection one of M, section M,
13 "wrongful dismissal discharge or termination
14 (either actual or constructive) of employment"
15 applies in a situation where there's no
16 employment contract; is that right?

17 A. These 12 listed employment
18 practices perils do not apply to the contract
19 exclusion.

20 Q. I understand that from 4-F, as
21 amended on page 233, but what I'm asking you
22 is, someone brings an employment practices
23 claim and that employee has a written contract
24 of employment, is that covered by the
25 employment practices perils as you just called

1 them?

2 A. What's the count?

3 Q. Wrongful termination of employment.

4 A. Wrongful termination of employment
5 would be a covered wrongful act.

6 Q. And what if that employee had an
7 employment -- an express contract, an
8 employment contract?

9 A. The breach of contract would not be
10 covered.

11 Q. But the wrongful termination would
12 be covered?

13 A. I'm not 100 percent sure in that
14 specific case, subsection one of Exclusion M,
15 how that would apply, but the rest of
16 employment practices violation would work the
17 way I described it, so if a contracted employee
18 brought a sexual harassment claim, that sexual
19 harassment claim would be covered.

20 Q. Well, let's go back to 4-F on page
21 233, doesn't this say the opposite of what you
22 just said though, subsection one of F says that
23 "The exclusion does not apply to employment
24 practices claim to the extent that any
25 liability that does not arise from such express

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1 contract or agreement," so in the scenario that
2 we're talking about that the employee has a
3 written contract and sues for wrongful
4 termination, the exclusion denies coverage;
5 correct?

6 MR. HUGHES: Could I have that
7 back, please, the question?

8 (Record read.)

9 MR. HUGHES: Objection as to form.
10 If you understand that and answer, go
11 ahead.

12 A. I truthfully cannot understand it.

13 Q. Let me rephrase it for you,
14 Mr. Gadaleta. You just said earlier that in a
15 scenario that we're discussing, that even if
16 someone has a contract, there would be coverage
17 under the employment practices perils, correct,
18 even if someone has an employment contract?

19 A. Yes.

20 Q. That would seem to be inconsistent,
21 don't you agree with Exclusion 4-F, subsection
22 one, that says that -- doesn't that subsection
23 say that if there is an express contract, i.e.
24 an employment contract, that the contractual
25 liability exclusion applies to that claim?

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1 MR. HUGHES: Object as to form.

2 A. It says that the exclusion is not
3 going to apply to employment practices claims
4 to the extent that any liability does not
5 arise. So, it would seem to me the way I'm
6 reading this, that claims outside of the
7 contract, employment practices claims outside
8 of the contract are covered.

9 Q. That do not arise --

10 A. From such express contract or
11 agreement.

12 Q. Right. And in the case that we're
13 talking about an employee has a contract and
14 he's terminated and claims a wrongful discharge
15 or discrimination of some kind, that claim
16 arises out of an express contract, doesn't it?

17 A. Discrimination is not related to --
18 well, the employment practices claims do not --
19 are not -- are excluded from the contractual
20 exclusion, so they don't apply, the exclusion
21 does not apply to employment practices claims.

22 Q. And where do you get that
23 testimony? Where do you get that from the
24 policy?

25 A. Page 233.

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1 Q. Right.

2 A. Amendments to exclusions, exclusion
3 4-F, last line, "This exclusion shall not apply
4 to employment practices claims to the extent
5 that any liability does not arise from such
6 express contract or agreement."

7 Q. What I'm asking you again,
8 Mr. Gadaleta, is that the express contract
9 requirement in subsection one that you just
10 read to me, it requires that you do not have an
11 express contract; correct? Isn't that another
12 way of saying that to the extent that any
13 liability does not arise from such express
14 contract or agreement? Can't you also say that
15 unless it arises from an express contract?
16 Isn't that another way of saying the exact same
17 language in there?

18 MR. HUGHES: Objection to the form.

19 Q. Couldn't you say, let me rephrase
20 that. Couldn't you say in 4-F-1, employment
21 practices claims unless the claim arises out of
22 an express contract or agreement, isn't that
23 the exact same way of saying that?

24 MR. HUGHES: Objection as to form.

25 A. I disagree.

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1 Q. You disagree?

2 A. I do.

3 Q. What's the difference between what
4 I just said and what's written in 4-F-1?

5 A. My understanding of how 4-F-1 is
6 written is that the exclusion, the contractual
7 liability exclusion does not apply to
8 employment practices claims because the -- the
9 employment practices allegations, the counts
10 are outside the contract.

11 Q. And why are they outside the
12 contract?

13 A. Well, discrimination --
14 discrimination is a federal protection afforded
15 to people, so that wouldn't be part of an
16 employment contract.

17 Q. What if an employee makes a claim
18 for wrongful termination, not based on
19 discrimination, but wrongful termination based
20 on the language in the contract, would that be
21 an employment practices claim?

22 A. I think we would need additional
23 information on that. I'm not sure I can answer
24 that question.

25 MR. ACETO: Why don't we take a

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1 break here. I think I'm pretty much done
2 with him.

3 (Recess taken.)

4 Q. Mr. Gadaleta, let's go back to 4-F
5 again. 4-F, for the exclusion to apply, there
6 needs to be an express contract or agreement;
7 correct?

8 A. Not necessarily.

9 Q. Why not necessarily?

10 A. The lead-in language is alleging,
11 arising out of, based upon or attributable to.

12 Q. Okay.

13 A. So if a matter is attributable to
14 an express contract, then the exclusion would
15 apply.

16 Q. Well, my initial statement was that
17 there's a report of an express contract or
18 agreement being in existence; correct?

19 A. Yes.

20 Q. So, for the exclusion -- for
21 National Union to say the exclusion applies
22 here and there's no coverage, there has to be
23 at least the allegation of an express contract
24 or agreement?

25 A. Yes.

1 Q. And, so, for the exclusion not to
2 apply in the employment practices claim, the
3 same thing applies; it needs to be -- if there
4 is an allegation of an express contract, then
5 the contractual liability exclusion applies,
6 correct, based on the language in 4-F-1?

7 A. Employment practices claims are
8 granted coverage directly, so there doesn't
9 have to be a contract in place to afford
10 employment practices coverage.

11 Q. Right, but that's not my question.
12 What I'm saying -- I hear you what you're
13 saying about the contractual -- the employment
14 practices claims apply, can apply regardless of
15 whether there's an express contract. That
16 wasn't my question.

17 My question is going back to 4-F-1,
18 the exclusion to the contractual liability
19 exclusion is basically what it is, correct,
20 it's saying that under certain circumstances
21 the employment practices claims will not be
22 subject to the contractual liability exclusion;
23 correct?

24 A. Yes.

25 Q. So it's an exclusion to an

1 exclusion essentially; correct?

2 A. It's a carve-out of the exclusion.

3 Q. A carve-out to the exclusion and
4 that carve-out is only going to apply if there
5 is not an express contract or agreement;
6 correct?

7 A. No.

8 Q. That carve-out is only going to
9 apply if it does not arise out of an express
10 contract or agreement; correct?

11 A. Can you repeat that?

12 Q. That carve-out is only going to
13 apply in limiting the exclusion in 4-F if there
14 is not allegations that arise from express --
15 from an express contract or agreement? I'm
16 reading right from 4-F-1.

17 MR. HUGHES: Objection. That's not
18 what it says.

19 MR. ACETO: That's exactly what it
20 says.

21 MR. HUGHES: No, it doesn't. It
22 says that "to the extent that any
23 liability does not arise from any express
24 contract or agreement."

25 MR. ACETO: Okay. That's what I've

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1 been saying all along.

2 Q. Unless any liability arises from an
3 express contract or agreement; correct?

4 A. Can you repeat the question?

5 Q. That carve-out we just talked
6 about, 4-F-1, does not apply if there is any
7 liability arising from an express contract or
8 agreement?

9 A. That does apply. The carve back to
10 the exclusion does apply.

11 Q. Does apply unless there is any
12 liability arising from an express contract or
13 agreement; correct?

14 A. There is coverage granted in 4-F-1
15 for employment practices claims.

16 Q. So long as the liability --

17 MR. HUGHES: Were you done with
18 your answer?

19 THE WITNESS: Yes.

20 Q. So long as the liability does not
21 arise from an express contract; correct?

22 A. The carve back to coverage for
23 employment practices claims -- I'm sorry.
24 Employment practices claims as defined in the
25 policy are granted coverage under this

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1 exclusion other than liability from the express
2 contract.

3 MR. ACETO: I have nothing further.

4 Thank you, Mr. Gadaleta.

5 (Time noted: 12:54 p.m.)

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C E R T I F I C A T E

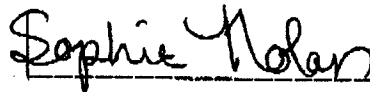
STATE OF)
COUNTY OF) :ss

I, SOPHIE NOLAN, a Shorthand Reporter and
Notary Public within and for the State of New
York, do hereby certify:

That ROBERT GADALETA, the witness whose
examination is hereinbefore set forth, was duly
sworn by me and that such deposition is a true
record of the testimony given by such witness.

I further certify that I am not related
to any of the parties to this action by blood
or marriage; and that I am in no way interested
in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set
my hand this 30th day of October, 2006.



SOPHIE NOLAN

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

GE HFS HOLDINGS, INC.,)

Formerly known as)

HELLER HEALTHCARE FINANCE, INC.,)

Plaintiff,)

MICHAEL INGOLDSBY,)

Intervenor/Plaintiff,) CIVIL ACTION NO.:

vs.) 05CV-11128-NG

NATIONAL UNION FIRE INSURANCE)

COMPANY OF PITTSBURGH, PA, and)

INTERNATIONAL INSURANCE GROUP, LTD.,)

Defendants.)

Deposition of JONI MASON, at
199 Water Street, New York, New York,
commencing at 1:55 p.m., Monday,
October 23, 2006, before Sophie Nolan,
a Notary Public of the State of New York.

PAGES 1 - 112



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111 Huntington Avenue

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Boston, Massachusetts 02199

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PHONE 617-239-0100

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E-MAIL jhughes@eapdlaw.com

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25

BEN HYATT

CERTIFIED DEPOSITION REPORTERS

(888) 272-0022

1 APPEARANCES OF COUNSEL (CONTINUED):

2

3 FOR THE DEFENDANT INTERNATIONAL INSURANCE:

4

5 TUCKER, HEIFETZ & SALTZMAN

6 BY: SYD SALOMAN, ESQ.

7 (Via Telephone)

8 Three School Street

9 Boston, Massachusetts 02108

10 (617) 557-9696

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1 recollection of having read it back then.

2 Q. Do you have a specific recollection
3 of having read the complaint in the matter?

4 A. Yes, I do.

5 Q. And do you have a specific
6 recollection of re viewing the file files in
7 this latter back at the time in 2002?

8 A. Yes, I have a general recollection.
9 It was several years ago and I handled the file
10 for a short period of time, but I do have a
11 general recollection.

12 Q. Was a decision made to deny
13 coverage while you were still handling the
14 file?

15 A. Yes.

16 Q. Who made that decision?

17 A. I did.

18 Q. Based on what?

19 A. Based on review of the complaint
20 and review of the insurance policy.

21 Q. Anything else?

22 A. Whatever was submitted from the
23 insured.

24 Q. So, how about that e-mail that we
25 just went through on 799, if that was in the

1 file, would you have reviewed that as well and
2 relied on that?

3 A. I believe this letter -- I don't
4 know if this letter went out, this e-mail that
5 you've directed my attention to from you to Joe
6 O'Neil is dated after our coverage letter went
7 out. I would have still reviewed documents
8 that came in throughout the life of the file
9 during my handling of the file, but I'm not
10 sure this e-mail was available at the time we
11 issued the coverage letter.

12 Q. Do you understand your
13 responsibilities as a claims manager to go
14 outside the four corners of the complaint to
15 look at other evidence that's available?

16 A. Could you repeat that?

17 Q. Do you have an understanding as a
18 claims director back in 2002 that you had a
19 duty to consider things outside the language of
20 the complaint?

21 MR. HUGHES: Objection as to form,
22 but go ahead and answer if you
23 understand.

24 A. I have a duty to -- I understood
25 that I had a duty to review the claim and the

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1 insurance policy and make a coverage
2 determination.

3 In this particular case, I didn't
4 need to review anything additional outside of
5 the complaint and the policy. However, the
6 insured is always invited to submit additional
7 information for our consideration.

8 Q. And why was it that you didn't need
9 to review it -- you said you felt you didn't
10 need to review anything else; is that right?

11 A. I reviewed the materials that were
12 submitted to us for coverage.

13 Q. So, additional documentation over
14 and above the complaint you did review?

15 A. Whatever was submitted by the
16 insured, correspondence, complaint attachments.

17 Q. In this particular case was it
18 necessary for you to review any other
19 documentation aside from the complaint?

20 A. For --

21 Q. To make your decision?

22 A. No, it was not.

23 Q. Why was that?

24 A. Because the claim was included
25 under the policy and terms.

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1 Q. And there's no additional
2 information that could be provided to you that
3 would have any bearing on that decision?

4 A. As I said, we always invite the
5 insured to let us know if they disagree and we
6 reevaluate accordingly.

7 Q. During the time that you had the
8 file through, I think you said, February of
9 '03, did you ever go back and reevaluate the
10 decision?

11 A. I do recall that there were
12 discussions. I think there were phone calls
13 from the insured or from the insured's counsel
14 to Joe O'Neil and --

15 MR. HUGHES: All right, now I'll
16 instruct you not to repeat any
17 conversations or correspondence that you
18 received from Joe O'Neil.

19 A. We had discussions. We had further
20 discussions because --

21 Q. I think what I'm really interested
22 in is did you, yourself, forget about what Joe
23 O'Neil told you, did you, yourself, go back and
24 reevaluate the file that you had in February of
25 2003?

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1 A. Yes.

2 Q. Was there additional information
3 that you reviewed in making your decision?

4 A. Yes.

5 Q. And what was that additional
6 information that you reviewed?

7 A. Correspondence that was sent to us
8 on behalf of the insured.

9 Q. Did that change your mind in any
10 way?

11 A. No, it did not.

12 Q. Is there additional documentation,
13 other than what's attached as Exhibit Number
14 10, that you reviewed from the insured?

15 A. Not that I can recall.

16 (Mason Exhibit 11, document
17 entitled "Defendant National Union Fire
18 Insurance Company of Pittsburgh, PA's
19 answers to the Plaintiff - Intervenor
20 Michael Ingoldsby's First Set of
21 Interrogatories, marked for
22 identification.)

23 Q. Ms. Mason, I'm showing you what's
24 been marked as Exhibit Number 11 to your
25 deposition.

1 Did you assist at all in providing
2 these answers to interrogatories that were
3 propounded upon National Union by Michael
4 Ingoldsby?

5 A. No, I did not.

6 Q. And Mr. Daskalakis did not discuss
7 any of these answers to interrogatories with
8 you?

9 A. No.

10 Q. And you've never seen this document
11 prior to today?

12 A. Correct.

13 (Recess taken.)

14 Q. We're going to go back to Exhibit
15 Number 1 then. Do you have that in front of
16 you? Specifically page four. I understand
17 from your counsel that you're here to testify
18 as to category number one; is that right?

19 A. Yes.

20 Q. So, can you describe for me the
21 investigation that National Union engaged in in
22 determining whether or not to find that the
23 claim that's the subject matter of this lawsuit
24 was covered by the policy?

25 A. Well, the claim came in, the

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1 allegations were looked at in the complaint and
2 then the policy terms and conditions and
3 exclusions were reviewed. A coverage letter
4 was issued. I believe there was some
5 additional either phone calls or correspondence
6 from the insureds or on behalf of the insureds.

7 I know there was further discussion
8 with the insureds regarding the policy
9 interpretation and I think there was even a
10 face-to-face meeting with the insured and our
11 counsel and anything else that was submitted to
12 us was reviewed.

13 Q. And the letter that you say that
14 was sent by National Union, are you referring
15 to the letter that was sent by Joe O'Neil?

16 A. Correct.

17 Q. So there wasn't actually a decision
18 mailed by you?

19 A. It was my coverage determination.
20 Mr. O'Neil sent out the letter. I reviewed the
21 letter before it went out.

22 Q. That's the letter that you're
23 referring to as the decision; is that right?

24 A. The coverage determination?

25 Q. Yes.

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1 A. Correct.

2 Q. There was no other correspondence
3 sent to the insured; is that right?

4 A. I believe there was a supplemental
5 coverage letter that was sent to the insured
6 sometime after my handling of the file.

7 Q. Denying coverage or just saying
8 that you have the file? In other words, was
9 there a decision in that letter?

10 A. My recollection is that there was a
11 supplemental letter responding to some
12 inquiries from the insured, but confirming --
13 reviewing the insured's arguments and
14 confirming our coverage determination.

15 Q. But that was after you had given up
16 the file; isn't that right?

17 A. Correct.

18 Q. So, how were you made aware of
19 that, that there was a supplemental decision?

20 A. In preparation for my deposition.

21 Q. But you weren't involved in that
22 supplemental decision?

23 A. No, I was not.

24 Q. So, the only decision that you were
25 involved in was the one that was encompassed by

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1 apply to employment practices claims to the
2 extent any liability does not arise from such
3 express contract or agreement."

4 Q. So, if the liability arises from an
5 express contract and you've already said an
6 oral contract is an express contract?

7 A. It can be.

8 Q. Right, so, in fact, and in that
9 scenario you gave me, there's an express
10 contract that the discrimination claim arises
11 out of and it's not covered either, is it?

12 A. I don't think the discrimination
13 arises out of the contract which is why it
14 would be covered because it's defined under the
15 section of employment practices claims, by
16 specifically being covered.

17 Q. Except that the damages arises out
18 of an express contract in which case it's
19 subject to the contractual liability exclusion;
20 correct?

21 A. That's correct.

22 Q. So, basically, Ms. Mason, you read
23 the complaint and determined that there was no
24 coverage for any of the insureds and really
25 didn't do any other investigation; isn't that

1 right?

2 A. That's correct.

3 Q. And you didn't feel that there was
4 any need to do any further investigation as to
5 the claims alleged in the complaint?

6 A. Well, when you say investigation,
7 there were conversations, I think numerous
8 conversations with the insured and counsel,
9 and, in fact, there was a face-to-face meeting
10 between our counsel and the insureds and their
11 counsel.

12 Q. There was one meeting?

13 A. Yes, there was a meeting.

14 Q. But you had already made your mind
15 up before then; is that right?

16 A. Yes, that's correct.

17 Q. But when you made your mind up
18 initially and sent the initial determination
19 letter, all you did was read the complaint and
20 determined that the claims all arose out of a
21 contract and you denied coverage; correct?

22 A. Correct.

23 Q. How much time do you think you
24 spent in reviewing the claim?

25 A. I can't answer that, I don't know.

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1 Q. Thirty minutes?

2 A. I'm sure it was more than that.

3 Q. An hour?

4 A. I don't know. I'm not willing to
5 speculate.

6 Q. I'm not asking you to speculate.
7 Can you give me an estimate of how much time
8 you spent evaluating this claim before you --

9 A. I really cannot.

10 Q. Let me finish my question, please.
11 Before you issued that initial determination
12 letter, how much time did you spend
13 investigating the matter?

14 A. I don't remember.

15 Q. You read the complaint; right?

16 A. I read the complaint, I read the
17 policy. I had conversations with counsel.
18 There may have been correspondence back and
19 forth with counsel and most likely I discussed
20 it with my supervisor.

21 Q. And how much total time do you
22 think you spent evaluating this claim before
23 you denied it initially?

24 A. Honestly, I cannot formulate a
25 quantifiable time.

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1 Q. But you didn't have to read the
2 policy because you're already familiar with the
3 contractual liability exclusion; correct?

4 A. I'm familiar with that exclusion,
5 but I always read the policy because there's
6 always endorsements and there may be things
7 that were added, so I always go back and read
8 it thoroughly.

9 Q. Have you taken any courses or
10 training as to how to interpret what claims
11 arise out of, alleged, based upon or
12 attributable to an actual or alleged
13 contractual liability? Have you taken any
14 courses in that regard to learn what those are?

15 A. No, no courses.

16 Q. Do you have any manuals in your
17 office as to how to determine what's arising
18 out of an express contract?

19 A. No.

20 Q. Has anyone ever talked to you about
21 how to interpret that provision of contractual
22 liability exclusion?

23 A. I'm sure I've had discussions with
24 my supervisors throughout my tenure at AIG.

25 Q. And what have they told you about

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C E R T I F I C A T E

STATE OF)
COUNTY OF) :ss

I, SOPHIE NOLAN, a Shorthand Reporter and
Notary Public within and for the State of New
York, do hereby certify:

That JONI MASON, the witness whose
examination is hereinbefore set forth, was duly
sworn by me and that such deposition is a true
record of the testimony given by such witness.

I further certify that I am not related
to any of the parties to this action by blood
or marriage; and that I am in no way interested
in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set
my hand this 30th day of October, 2006.


SOPHIE NOLAN

Coverage Issue for Michael Ingoldsby

Page 1 of 1

E. Joseph O'Neil

From: Greg Aceto [aceto@fjalaw.com]
Sent: Thursday, November 07, 2002 1:12
To: E. Joseph O'Neil
Cc: Michael Ingoldsby
Subject: Coverage Issue for Michael Ingoldsby

Dear Joe,

As we discussed previously, Michael Ingoldsby is being sued on Count I of the Complaint for Negligent Misrepresentation. As I believe the other defendants Ms. Edwards and Ms. Jones can confirm, Michael Ingoldsby has not been involved in any of the operations of Managed Health Care Systems and Medical Temporaries since 1999. In fact, since 1999, Mr. Ingoldsby has been and is still disabled and collecting under a disability policy as a result of his disability. To the extent that the Complaint alleges that he was involved in compiling the borrowing base certificates, this is inaccurate and without any factual support. Mr. Ingoldsby was the Chairman of the Board of the companies, but held no other titles or responsibilities and performed no functions for the companies on a day-to-day basis.

As I previously stated, he is simply being sued as a member of the Board of Directors of the companies--he played no active role in the company. Thus, he is an insured under the policy of insurance and there are no applicale exclusions. He should be provided a defense by AIG, regardless of whether endorsement 8 was or was not a part of the policy (this issue still remains unclear).

Gregory J. Aceto, Esq.
Johnson & Aceto, P.C.
67 Batterymarch Street, Suite 400
Boston, MA 02110
Tel: 617.728.0888
Fax: 617.338.1923

The information in this transmittal is privileged and confidential and is intended only for the recipient(s) listed above. If you are neither the intended recipient(s), nor a person responsible for the delivery of this transmittal to the intended recipient(s), you are hereby notified that any unauthorized distribution or copying of this transmittal is prohibited. If you have received this transmittal in error, please notify Michele Prager, of Johnson & Aceto, P.C., immediately at 617.728.0888.

AIG/GE HFS 0799

12/19/2002



JOHNSON & ACETO, P.C.
COUNSELORS AT LAW

67 BATTERYMARCH STREET, SUITE 400
BOSTON, MASSACHUSETTS 02110
TEL (617) 728-0888
FAX (617) 338-1923
EMAIL: office@fjalaw.com

March 17, 2004

**Via Certified Mail Return Receipt Requested
and First Class Mail**

Ms. Joni Mason
International Insurance Group, LTD
125 Broad Street, 4th Floor
Boston, MA 02110

**Via Certified Mail Return Receipt Requested
and First Class Mail**

Mr. Nicholas Sciotto
International Insurance Group, LTD
125 Broad Street, 4th Floor
Boston, MA 02110

Re: ***Heller Healthcare Finance, Inc. vs. Michael Ingoldsby, et al.,***
United States District Court Civil Action No.: 02 CV 11553 NG
Your Insured: **Managed Health Care Systems, Inc.**
Policy No.: **873-87-52**
AIGTS Claim No.: **434-003227**

Dear Mr. Mason and Mr. Sciotto:

As you are already aware, this office represents Michael O. Ingoldsby and Mary Lee Ingoldsby in the above entitled matter.

Please consider this letter as notice that our clients, Michael O. Ingoldsby and Mary Lee Ingoldsby, are making a formal claim of National Union Fire Insurance Company of Pittsburgh, PA ("National Union"), a member of the American International Group, Inc. ("AIG") to provide coverage for Michael O. Ingoldsby's and Mary Lee Ingoldsby's defense (and/or indemnification) in the instant matter under National Union's Directors and Officers Insurance and Company Reimbursement Policy, Policy Number 873-87-52. A copy of the Complaint and Jury Demand is attached hereto as *Exhibit A*.

In light of the content of my previous discussions with National Union's representatives and the letters of October 11, 2002 and March 6, 2003 denying coverage and defense in the instant matter, this letter will also serve as a formal demand letter to

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Mr. Nicholas Sciotto
March 17, 2004
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National Union under Massachusetts General Laws Chapter 93A, on behalf of both Michael O. Ingoldsby and Mary Lee Ingoldsby.

By way of brief factual background, on or about August 1, 2002, Heller Healthcare Finance, Inc. ("Heller") initiated the instant action against Michael O. Ingoldsby ("Ingoldsby"), Mary Lee Ingoldsby,¹ Pamela Jones and Indy Edwards. By letter dated August 2, 2002, Michael Ingoldsby, Mary Lee Ingoldsby, and Indy Edwards, as National Union insured, made a formal claim of National Union to provide coverage for their defense (and/or indemnification) in the instant matter under Policy No. 873-87-52. AIG Technical Services, Inc., on behalf of National Union, responded on August 20, 2002, to inform that a preliminary coverage evaluation would be forthcoming.

By letter dated October 11, 2002, National Union, through counsel, "declined coverage for the *Heller Action* allegations against Michael Ingoldsby, Mary Lee Ingoldsby, and Indy Edwards." Discussion ensued between counsel over coverage issues. Thereafter, by letter dated March 6, 2003, counsel for National Union again declined coverage by stating that "there [was] no coverage available under the policy for the claims asserted in the *Heller* action against Michael O. Ingoldsby."

National Union based its denial to provide coverage upon Exclusion 4(h), as amended by Endorsement No. 8. Under Exclusion 4(h), National Union claims that it is "not liable to make any payment for loss in connection with any claim or claims made against the Directors of Officers" because the claims allege, arise out of and are based upon the contractual liability of MHCS under the [Debtor-in-Possession Loan and Security Agreement] ("DIP") Agreement.

The provision upon which National Union relies reads to exclude from coverage the following:

(h) alleging, arising out of, based upon or attributable to any actual or alleged contractual liability of the Company or an Insured under any express (written or oral) contract or agreement (including, but not limited to, any liquidated damages, severance agreement or payment, golden parachute agreement, or any compensation agreement payable upon termination of

¹ This office represents defendants Michael O. Ingoldsby and Mary Lee Ingoldsby.

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Mr. Nicholas Sciotto
March 17, 2004
Page 3

any insured); provided, however, that the exclusion shall not apply to:

- (1) Employment Practices Claims to the extent that any liability does not arise from such express contract or agreement; or
- (2) Claims for Loss alleging Wrongful Acts of an Insured(s) with respect to hospital practice, privileges, credentialing or peer review matters.

National Union has denied coverage on two previous occasions, and, as far as I know, has done nothing other than review the Complaint and attachments. The Complaint alleges a claim for Negligent Misrepresentation (Count I) against Pamela Jones, Indy Edwards and Michael Ingoldsby and claim for Breach of Guaranty (Count II) against Michael Ingoldsby and Mary lee Ingoldsby.

The claim for Negligent Misrepresentation alleges *inter alia* that "Defendant Jones, Edwards and [Michael Ingoldsby], in the ordinary course of their business and employment, and in the ordinary course of the business of MHCS and Medical Temporaries, supplied false information to Heller regarding the borrowing base of the eligible accounts receivable of MHCS and Medical Temporaries." *Complaint* ¶55. Heller relied on this alleged "false information" in making advances to MHCS and Medical Temporaries pursuant to the DIP Loan Agreement. *Complaint* ¶55.

The DIP Loan Agreement was executed on or about February 28, 2001. *Exhibit A to the Complaint*. At that time, however, Mr. Ingoldsby was not involved in the day-to-day operations of MHCS or Medical Temporaries. In fact, Mr. Ingoldsby had not been involved in the operations of MHCS or Medical Temporaries since 1999 due to a medical condition which has disabled him. Since 1999, Mr. Ingoldsby has been collecting under a disability policy and has not been involved in the day-to-day operations of MHCS and Medical Temporaries. Furthermore, Mr. Ingoldsby was not involved in the compiling or accuracy of the borrowing base certificates submitted to Heller in connection with the DIP Loan. In fact, the Complaint alleges in ¶25 that the borrowing base certificates were signed by Jones and Edwards - not Mr. Ingoldsby - in the ordinary course of business and employment.

To the extent the Complaint alleges that Mr. Ingoldsby was involved in the preparation of the borrowing certificate, such allegations are without factual support. Mr. Ingoldsby was the Chairman of the Board of MHCS and Medical Temporaries. He held no other titles and had no involvement in the day to day functioning of the companies.

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In this respect, Mr. Ingoldsby is being sued under Count I solely by reason of his status as member of the Board of Directors and not due to any sort of active role in MHCS or Medical Temporaries. Section 1, Coverage A (Directors and Officers Insurance) of Policy, states that the "[P]olicy shall pay the Loss of each and every Director or Officer of the Company arising from any claim of claims first made against the Directors or Officers reported to the Insurer during the Policy Period or the Discovery Period ... for any alleged Wrongful Act in their respective capacities as Directors or Officers of the Company..." Under Section 2(g), a "Wrongful Act" is described as:

any breach of duty, neglect, error, misstatement, misleading statement, omission or act by the Directors or Officers of the Company in their respective capacities as such, or any matter claimed against them solely by reason of their status as Directors or Officers of the Company.

Count I alleges "negligent misrepresentation". One need not look further than the definition of a "Wrongful Act" under the policy to see that alleged *neglect, misstatement, misleading statement* claimed against the Officers or Directors in their respective capacity are acts covered under the Policy as should be Count I of the Complaint. It is clear that Mr. Ingoldsby is being sued as a member of the Board of Directors. Thus, Mr. Ingoldsby is an insured under the relevant policy and the alleged conduct (*i.e.*, negligent misrepresentation) is not subject to any applicable exclusion such as Exclusion 4(h) (as amended Endorsement No. 8).

As you are aware, complaints are intended to set forth sufficient facts establishing the liability of the defendant to the plaintiff. They are not intended to function as a declarative document on the issue of coverage between an insurance company and the defendant. As further demonstrated below, Massachusetts precedent does not support National Union's position, and in fact, National Union's position is directly contradictory to precedent regarding coverage and a duty to defend.

CASE LAW REGARDING DUTY TO DEFEND

"[T]he duty to defend depends not on the actual facts of the event giving rise to the liability, but on the full range of possible facts that could fall within the scope of the allegations of the third-party's complaint." *Nashua Corporation v. Liberty Mutual Insurance Co.*, 1997 WL 89163 (Fabricant, J.) "[T]he possibility that the liability falls within the insurance coverage" is enough to trigger the duty to defend. *Sterilite Corp. v. Continental*

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Casualty Co., 17 Mass. App. Ct. 316, 318 (1983). If the content of the complaint is "reasonably susceptible" to an interpretation warranting coverage, then the insurer must undertake the defense. *Terrio v. McDonough*, 16 Mass.App.Ct. 163, 166 (1983).

Only where "the allegations of the complaint describe with precision" events which "the insurance policy expressly excludes from coverage" is the insurer free to refuse a defense. *Terrio*, 16 Mass.App.Ct. at 168. However, even if the complaint does not appear to fall within the policy, the insurer may have a duty to defend if additional facts, known or available to it, indicate that the claim is covered. See, e.g., *Boston Symphony Orchestra v. Commercial Union Ins. Co.*, 406 Mass. 7, 10-11 (1989) (insurer required to defend under defamation liability policy where complaint on its face alleged only breach of contract, but additional facts known to insurer indicated plaintiff alleged harm to reputation); *HDH Corporation v. Atlantic Charter Ins. Co.*, 41 Mass.App.Ct. 131, 135 (1996) (worker's compensation insurer obliged to defend based on its knowledge that plaintiff was insured's employee, although complaint did not so allege). The converse, however, is not the case; where a complaint on its face is susceptible of a reading that brings the claim within the policy, the insurer cannot rely on facts outside the complaint to justify a unilateral refusal to defend. *Sterilite Corp. v. Continental Casualty Co.*, 17 Mass.App.Ct. at 323.

National Union's contention that it is not required to provide coverage for the aforementioned allegations is clearly inconsistent with the prevailing case law. Consistent with Massachusetts precedent, however, is that an insured is entitled to reasonable attorney's fees and expenses incurred in establishing the insurer's duty to defend. *Preferred Mutual Ins. Co. v. Gamache*, 426 Mass. 93, 95-96 (1997).


I ask that National Union please reconsider its two (2) previous denials and provide coverage under the insurance policy as the claims asserted in the subject lawsuit are claims within the scope of National Union's coverage, which National Union is obliged to defend.

Ms. Joni Mason
Mr. Nicholas Sciotto
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I look forward to discussing with you the issues of coverage and defense for Michael O. Ingoldsby and Mary Lee Ingoldsby.

Thank you for your anticipated cooperation in this matter.

Very truly yours,


Gregory J. Aceto

Attachment.

GJA/jfo

cc: Michael O. Ingoldsby
E. Joseph O'Neil, Esq., Peabody & Arnold, LLP (via U.S. First Class Mail)
93A Demand Letter to National Union.wpd

[Mason] Certified Mail Return Receipt Requested No.: 7001 1940 0005 3545 9643
[Sciotto] Certified Mail Return Receipt Requested No.: 7001 1940 0005 3545 9650



NATIONAL UNION
FIRE INSURANCE COMPANY
OF PITTSBURGH, PA.[®]

A CAPITAL STOCK COMPANY

ADMINISTRATIVE OFFICES:
175 WATER STREET, NEW YORK, N.Y. 10038

POLICY NUMBER:
873-87-52

RENEWAL OF:
473-16-30

#7
Gadeletg

DIRECTORS AND OFFICERS INSURANCE AND COMPANY REIMBURSEMENT POLICY

NOTICE: EXCEPT TO SUCH EXTENT AS MAY OTHERWISE BE PROVIDED HEREIN, THE COVERAGE OF THIS POLICY IS LIMITED GENERALLY TO LIABILITY FOR ONLY THOSE CLAIMS THAT ARE FIRST MADE AGAINST THE INSURED AND REPORTED TO THE INSURER DURING THE POLICY PERIOD. PLEASE READ THE POLICY CAREFULLY AND DISCUSS THE COVERAGE THEREUNDER WITH YOUR INSURANCE AGENT OR BROKER.

NOTICE: THE LIMIT OF LIABILITY AVAILABLE TO PAY JUDGMENTS OR SETTLEMENTS SHALL BE REDUCED BY AMOUNTS INCURRED FOR LEGAL DEFENSE. AMOUNTS INCURRED FOR LEGAL DEFENSE SHALL BE APPLIED AGAINST THE RETENTION AMOUNT.

NOTICE: THE INSURER DOES NOT ASSUME ANY DUTY TO DEFEND; HOWEVER, THE INSURER MAY, AND IN CERTAIN CIRCUMSTANCES MUST, ADVANCE DEFENSE COSTS PAYMENTS PRIOR TO THE FINAL DISPOSITION OF A CLAIM.

DECLARATIONS

ITEM 1. NAMED CORPORATION: *MANAGED HEALTH CARE SYSTEMS*

MAILING ADDRESS: *175 DERBY ST STE 24*
HINGHAM, MA 02043-3406

STATE OF INCORPORATION OF THE NAMED CORPORATION:
Massachusetts

ITEM 2. SUBSIDIARY COVERAGE: any past, present or future Subsidiary of the Named Corporation

ITEM 3. POLICY PERIOD: From *August 4, 2001* to *August 4, 2002*
(12:01 A.M. Standard Time at the address stated in Item 1)

ITEM 4. LIMIT OF LIABILITY: *\$3,000,000* aggregate for Coverages A and B
combined (including Defense Costs)

ITEM 5. RETENTION:
Company Reimbursement and indemnifiable Loss: *\$25,000* for Loss arising from
claims alleging the
same Wrongful Act or
related Wrongful Acts.

ITEM 6. PREMIUM: *\$24,995*

CARPENTER & MOORE INSURANCE SERVICES INC.
530 WASHINGTON STREET
SAN FRANCISCO, CA 94111


Authorized Representative

Sep 27, 2001

AIG/GE HFS 00162

7113299

Countersignature
Date

Countersigned
At

DIRECTORS AND OFFICERS INSURANCE AND COMPANY REIMBURSEMENT POLICY

In consideration of the payment of the premium, and in reliance upon the statements made to the Insurer by application forming a part hereof and its attachments and the material incorporated therein, National Union Fire Insurance Company of Pittsburgh, Pa.⁹ herein called the "Insurer", agrees as follows:

1. INSURING AGREEMENTS

COVERAGE A: DIRECTORS AND OFFICERS INSURANCE

This policy shall pay the Loss of each and every Director or Officer of the Company arising from any claim or claims first made against the Directors or Officers and reported to the Insurer during the Policy Period or the Discovery Period (if applicable) for any alleged Wrongful Act in their respective capacities as Directors or Officers of the Company, except for and to the extent that the Company has indemnified the Directors or Officers. The Insurer shall, in accordance with and subject to Clause 9, advance to each and every Director and Officer the Defense Costs of such claim or claims prior to their final disposition.

COVERAGE B: COMPANY REIMBURSEMENT INSURANCE

This policy shall reimburse the Company for Loss arising from any claim or claims which are first made against the Directors or Officers and reported to the Insurer during the Policy Period or the Discovery Period (if applicable) for any alleged Wrongful Act in their respective capacities as Directors or Officers of the Company, but only when and to the extent that the Company has indemnified the Directors or Officers for such Loss pursuant to law, common or statutory, or contract, or the Charter or By-laws of the Company duly effective under such law which determines and defines such rights of indemnity.

2. DEFINITIONS

- (a) The "Company" means the Named Corporation designated in Item 1 of the Declarations and any Subsidiary thereof.
- (b) "Defense Costs" means reasonable and necessary fees, costs and expenses consented to by the Insurer (including premiums for any appeal bond, attachment bond or similar bond, but without any obligation to apply for or furnish any such bond) resulting solely from the investigation, adjustment, defense and appeal of any claim against the Insureds, but excluding salaries of Officers or employees of the Company.
- (c) "Insured(s)", or "Director(s) or Officer(s)", means any past, present or future duly elected or appointed Directors or Officers of the Company. Coverage will automatically apply to all new Directors or Officers after the inception date of this policy.
- (d) "Loss" means damages, judgments, settlements and Defense Costs; however, Loss shall not include civil or criminal fines or penalties imposed by law, punitive or exemplary damages, the multiplied portion of multiplied damages, taxes, any amount for which the Insureds are not financially liable or which are without legal recourse to the Insureds, or matters which may be deemed uninsurable under the law pursuant to which this policy shall be construed.
- (e) "Policy Period" means the period of time from the inception date shown in Item 3 of the Declarations to the earlier of the expiration date shown in Item 3 of the Declarations or the effective date of cancellation of this policy; however, to the extent that coverage under this policy replaces coverage in other policies terminating at noon standard time on the inception date of such coverage hereunder, then such coverage as is provided by this policy shall not become effective until such other coverage has terminated.

- (f) "Subsidiary" means a corporation of which the Named Corporation owns on or before the inception of the Policy Period more than 50% of the issued and outstanding voting stock either directly or indirectly through one or more of its Subsidiaries.

"Subsidiary" also means any corporation which becomes a Subsidiary during the Policy Period but only upon the condition that within 90 days of its becoming a Subsidiary, the Named Corporation shall have provided the Insurer with full particulars of the new Subsidiary and agreed to any additional premium and/or amendment of the provisions of this policy required by the Insurer relating to such new Subsidiary. Further, coverage as shall be afforded to the new Subsidiary is conditioned upon the Named Corporation paying when due any additional premium required by the Insurer relating to such new Subsidiary. A corporation becomes a Subsidiary when the Named Corporation owns more than 50% of the issued and outstanding voting stock either directly or indirectly through one or more of its Subsidiaries.

- (g) "Wrongful Act" means any breach of duty, neglect, error, misstatement, misleading statement, omission or act by the Directors or Officers of the Company in their respective capacities as such, or any matter claimed against them solely by reason of their status as Directors or Officers of the Company.

3. EXTENSIONS

Subject otherwise to the terms hereof, this policy shall cover Loss arising from any claims made against the estates, heirs, or legal representatives of deceased Directors or Officers, and the legal representatives of Directors or Officers in the event of their incompetency, insolvency or bankruptcy, who were Directors or Officers at the time the Wrongful Acts upon which such claims are based were committed.

4. EXCLUSIONS

The Insurer shall not be liable to make any payment for Loss in connection with any claim or claims made against the Directors or Officers:

- (a) arising out of, based upon or attributable to the gaining in fact of any personal profit or advantage to which they were not legally entitled;
- (b) arising out of, based upon or attributable to the committing in fact of any criminal or deliberate fraudulent act;
- (c) arising out of, based upon or attributable to the payment to the Insureds of any remuneration without the previous approval of the stockholders of the Company, which payment without such previous approval shall be held to have been illegal;
- (d) arising out of, based upon or attributable to profits in fact made from the purchase or sale by the Insureds of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any state statutory law;

(The Wrongful Act of any Director or Officer shall not be imputed to any other Director or Officer for the purpose of determining the applicability of the foregoing exclusions 4(a) through 4(d))

- (e) alleging, arising out of, based upon or attributable to any attempt, whether successful or unsuccessful, by any person or entity to acquire securities of the Company against the opposition of the Board of Directors of the Company ("Board"), or any action, whether successful or unsuccessful, by the Company or the Board to resist such attempts; however, this exclusion shall not apply if, before taking any such resistive action, the Company or the Board has obtained a written opinion (1) from independent legal counsel that such resistive action is a lawful exercise of the Board's business judgment and (2)

from an independent investment banking firm that the price of such acquisition of securities is inadequate, and that any financial transaction approved by the Board which is resistive of such acquisition is fair to the Company and its shareholders;

- (f) alleging, arising out of, based upon or attributable to any failure or omission on the part of the Insureds or the Company to effect and maintain insurance;
- (g) alleging, arising out of, based upon or attributable to the facts alleged, or to the same or related Wrongful Acts alleged or contained, in any claim which has been reported, or in any circumstances of which notice has been given, under any policy of which this policy is a renewal or replacement or which it may succeed in time;
- (h) alleging, arising out of, based upon or attributable to any pending or prior litigation as of the inception date of this policy, or alleging or derived from the same or essentially the same facts as alleged in such pending or prior litigation;
- (i) which are brought by any Insured or the Company; or which are brought by any security holder of the Company, whether directly or derivatively, unless such claim(s) is instigated and continued totally independent of, and totally without the solicitation of, or assistance of, or active participation of, or intervention of, any Insured or the Company; provided, however, this exclusion shall not apply to wrongful termination of employment claims brought by a former employee other than a former employee who is or was a Director of the Company;
- (j) alleging, arising out of, based upon, attributable to, or in any way involving, directly or indirectly:
 - (1) the actual, alleged or threatened discharge, dispersal, release or escape of pollutants, or
 - (2) any direction or request to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize pollutants,

including but not limited to claims alleging damage to the Company or its shareholders.

Pollutants includes (but is not limited to) any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes (but is not limited to) materials to be recycled, reconditioned or reclaimed;

- (k) alleging, arising out of, based upon or attributable to any act or omission in their capacities as directors or officers of any other entity other than the Company, or by reason of their status as a director or officer of such other entity;
- (l) for violation(s) of any of the responsibilities, obligations or duties imposed upon fiduciaries by the Employee Retirement Income Security Act of 1974 or amendments thereto or any similar provisions of state statutory law or common law;
- (m) for bodily injury, sickness, disease, death or emotional distress of any person, or damage to or destruction of any tangible property, including the loss of use thereof, or for injury from oral or written publication of a libel or slander or of other defamatory or disparaging material or of material that violates a person's right of privacy;
- (n) of any Subsidiary for any alleged Wrongful Act occurring at any time when the Named Corporation did not own more than 50% of the issued and outstanding voting stock of such Subsidiary either directly or indirectly through one or more of its Subsidiaries.

5. LIMIT OF LIABILITY-(FC ALL LOSS-INCLUDING DEFENSE COSTS)

The limit of liability stated in Item 4 of the Declarations is the limit of the Insurer's liability for all Loss, under Coverage A and Coverage B combined, arising out of all claims first made against the Insureds and reported to the Insurer during the Policy Period and the Discovery Period (if applicable); however, the limit of liability for the Discovery Period shall be part of, and not in addition to, the limit of liability for the Policy Period. Further, any claim which is made subsequent to the Policy Period or Discovery Period (if applicable) which pursuant to Clause 8(b) or 8(c) is considered made during the Policy Period or Discovery Period shall also be subject to the one aggregate limit of liability stated in Item 4 of the Declarations.

Defense Costs are not payable by the Insurer in addition to the limit of liability. Defense costs are part of Loss and as such are subject to the limit of liability for Loss.

6. RETENTION-INDEMNIFIED OR INDEMNIFIABLE LOSS

The Insurer shall only be liable for the amount of Loss arising from a claim which is in excess of the retention amount stated in Item 5 of the Declarations, such retention amount to be borne by the Company and/or the Insureds and shall remain uninsured, with regards to all Loss under Coverage A or B for which the Company has indemnified or is permitted or required to indemnify the Insured(s). A single retention amount shall apply to Loss arising from all claims alleging the same Wrongful Act or related Wrongful Acts.

7. COINSURANCE CLAUSE

The Insurer shall be liable to pay 95% of Loss excess of the retention amount described in Clause 6 up to the Limit of Liability described in Clause 5, it being a condition of this insurance that the remaining 5% of each and every Loss shall be carried by the Company and the Insureds at their own risk and be uninsured.

8. NOTICE/CLAIM REPORTING PROVISIONS

Notice hereunder shall be given in writing to National Union Fire Insurance Company of Pittsburgh, Pa., Financial Services Claims Department, 175 Water Street, New York, N.Y. 10038. If mailed, the date of mailing of such notice shall constitute the date that such notice was given and proof of mailing shall be sufficient proof of notice.

- (a) The Company or the Insureds shall, as a condition precedent to the obligations of the Insurer under this policy, give written notice to the Insurer as soon as practicable during the Policy Period, or during the Discovery Period (if applicable), of any claim made against the Insureds.
- (b) If during the Policy Period or during the Discovery Period (if applicable) written notice of a claim has been given to the Insurer pursuant to Clause 8(a) above, then any claim which is subsequently made against the Insureds and reported to the Insurer alleging, arising out of, based upon or attributable to the facts alleged in the claim of which such notice has been given, or alleging any Wrongful Act which is the same as or related to any Wrongful Act alleged in the claim of which such notice has been given, shall be considered made at the time such notice was given.
- (c) If during the Policy Period or during the Discovery Period (if applicable) the Company or the Insureds shall become aware of any circumstances which may reasonably be expected to give rise to a claim being made against the Insureds and shall give written notice to the Insurer of the circumstances and the reasons for anticipating such a claim, with full particulars as to dates and persons involved, then any claim which is subsequently made against the Insureds and reported to the Insurer alleging, arising out of, based upon or attributable to such circumstances or alleging any Wrongful Act which is the same as or

related to any Wrongful Act alleged or contained in such circumstances, shall be considered made at the time such notice of such circumstances was given.

9. DEFENSE COSTS, SETTLEMENTS, JUDGMENTS (INCLUDING THE ADVANCEMENT OF DEFENSE COSTS)

Under Coverage A, except as hereinafter stated, the Insurer shall advance Defense Costs prior to the final disposition of the claim, unless such Defense Costs have been advanced by the Company. Such advance payments by the Insurer shall be repaid to the Insurer by the Insureds, severally according to their respective interests, in the event and to the extent that the Insureds shall not be entitled under the terms and conditions of this policy to payment of such Loss. Notwithstanding the foregoing, if the Company is required or permitted to advance such Defense Costs in accordance with the fullest application of law, common or statutory, or contract, or the Charter or By-laws of the Company, then the Insurer assumes no duty to advance Defense Costs prior to the final disposition of the claim and the retention amount as stated in item 5 of the Declarations shall apply to such Loss. In such case, however, the Insurer may, in its absolute discretion, advance all or any part of such Defense Costs prior to the final disposition of the claim and in such event the advance payments by the Insurer shall be repaid to the Insurer by the Company or the Insureds, severally according to their respective interests, in the event and to the extent that the Company or the Insureds shall not be entitled under the terms and conditions of this policy to payment of such Loss.

Under Coverage B, the Insurer assumes no duty to reimburse Defense Costs prior to the final disposition of the claim. The Insurer may, in its absolute discretion, reimburse all or any part of such Defense Costs prior to the final disposition of the claim. In such event, however, such advance payments by the Insurer shall be repaid to the Insurer by the Company or the Insureds, severally according to their respective interests, in the event and to the extent that the Company or the Insureds shall not be entitled under the terms and conditions of this policy to payment of such Loss.

The Insurer does not, however, under this policy, assume any duty to defend. The Insureds shall not admit or assume any liability, enter into any settlement agreement, stipulate to any judgment or incur any Defense Costs without the prior written consent of the Insurer. Only those settlements, stipulated judgments and Defense Costs which have been consented to by the Insurer shall be recoverable as Loss under the terms of this policy. The Insurer's consent shall not be unreasonably withheld, provided that the Insurer shall be entitled to effectively associate in the defense and the negotiation of any settlement of any claim in order to reach a decision as to reasonableness.

The Insurer shall have the right to effectively associate with the Company and the Insureds in the defense and settlement of any claim that appears reasonably likely to involve the Insurer, including but not limited to effectively associating in the negotiation of a settlement. The Insureds shall defend and contest any such claim. The Company and the Insureds shall give the Insurer full cooperation and such information as it may reasonably require.

With respect to the Defense Costs and any joint settlement of any claim made against the Company and the Insureds, such Defense Costs and joint settlement having been consented to by the Insurer, the Company and the Insureds and the Insurer agree to use their best efforts to determine a fair and proper allocation of the amounts as between the Company and the Insureds and the Insurer.

10. DISCOVERY CLAUSE

If the Insurer shall cancel or refuse to renew this policy the Named Corporation shall have the right, upon payment of an additional premium of 75% of the full annual premium, to a period of one year following the effective date of such cancellation or nonrenewal (herein referred to as the Discovery Period) in which to give written notice to the Insurer of claims first made against the Insureds during said one year period for any Wrongful Act occurring prior to the end of the

Policy Period and other is covered by this policy. As used herein, "full annual premium" means the premium level in effect immediately prior to the end of the Policy Period.

The rights contained in this clause shall terminate, however, unless written notice of such election together with the additional premium due is received by the Insurer within ten (10) days of the effective date of cancellation or non-renewal. The additional premium for the Discovery Period shall be fully earned at the inception of the Discovery Period. The Discovery Period is not cancellable. This clause and the rights contained herein shall not apply to any cancellation resulting from non-payment of premium.

The offer by the Insurer of renewal terms, conditions, limits of liability and/or premiums different from those of the expiring policy shall not constitute refusal to renew.

11. CANCELLATION CLAUSE

This policy may be cancelled by the Named Corporation at any time only by mailing written prior notice to the Insurer or by surrender of this policy to the Insurer or its authorized agent. This policy may also be cancelled by or on behalf of the Insurer by delivering to the Named Corporation or by mailing to the Named Corporation, by registered, certified, or other first class mail, at the Named Corporation's address as shown in Item 1 of the Declarations, written notice stating when, not less than thirty (30) days thereafter, the cancellation shall be effective. The mailing of such notice as aforesaid shall be sufficient proof of notice. The Policy Period terminates at the date and hour specified in such notice, or at the date and time of surrender.

If this policy shall be cancelled by the Named Corporation, the Insurer shall retain the customary short rate proportion of the premium hereon.

If this policy shall be cancelled by the Insurer, the Insurer shall retain the pro rata proportion of the premium hereon.

Payment or tender of any unearned premium by the Insurer shall not be a condition precedent to the effectiveness of cancellation but such payment shall be made as soon as practicable.

If the period of limitation relating to the giving of notice is prohibited or made void by any law controlling the construction thereof, such period shall be deemed to be amended so as to be equal to the minimum period of limitation permitted by such law.

12. TERMINATION OF COVERAGE FOR SUBSEQUENT WRONGFUL ACTS AFTER CERTAIN TRANSACTIONS

If during the Policy Period:

1. the Named Corporation shall consolidate with or merge into, or sell all or substantially all of its assets to, any other person or entity or group or persons and/or entities acting in concert; or
2. any person or entity or group of persons and/or entities acting in concert shall acquire an amount of the outstanding securities representing more than 50% of the voting power for the election of Directors of the Named Corporation, or acquires the voting rights of such an amount of such securities;

(either of the above events herein referred to as the "Transaction")

then, there shall be no coverage afforded by any provision of this policy (including but not limited to Clause 10 Discovery Clause) for any alleged Wrongful Act occurring after the effective date of Transaction.

The Named Corporation shall give the Insurer written notice of the Transaction as soon as practicable, but not later than 30 days after the effective date of the Transaction.

13. SUBROGATION

In the event of any payment under this policy, the Insurer shall be subrogated to the extent of such payment to all the Company's and the Insureds' rights of recovery therefor, and the Company and the Insureds shall execute all papers required and shall do everything that may be necessary to secure such rights including the execution of such documents necessary to enable the Insurer effectively to bring suit in the name of the Company and/or the Insureds.

14. OTHER INSURANCE

Such insurance as is provided by this policy shall apply only as excess over any other valid and collectible insurance.

15. NOTICE AND AUTHORITY

It is agreed that the Named Corporation shall act on behalf of its Subsidiaries and all Insureds with respect to the giving and receiving of notice of claim or cancellation, the payment of premiums and the receiving of any return premiums that may become due under this policy, the receipt and acceptance of any endorsements issued to form a part of this policy and the exercising or declining to exercise any right to a Discovery Period.

16. ASSIGNMENT

This policy and any and all rights hereunder are not assignable without the written consent of the Insurer.

17. ACTION AGAINST INSURER

No action shall lie against the Insurer unless, as a condition precedent thereto, there shall have been full compliance with all of the terms of this policy, nor until the amount of the Insureds' obligation to pay shall have been finally determined either by judgment against the Insureds after actual trial or by written agreement of the Insureds, the claimant and the Insurer.

Any person or Organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under this policy to the extent of the insurance afforded by this policy. No person or Organization shall have any right under this policy to join the Insurer as a party to any action against the Insureds or the Company to determine the Insureds' liability, nor shall the Insurer be impleaded by the Insureds or the Company or their legal representatives. Bankruptcy or insolvency of the Company or the Insureds or of their estates shall not relieve the Insurer of any of its obligations hereunder.

IN WITNESS WHEREOF, the Insurer has caused this policy to be signed by its President and a Secretary and countersigned on the Declarations Page by a duly authorized representative of the Insurer.

Elizabeth M. Tuck

SECRETARY

John King

PRESIDENT

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APPENDIX A
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APPENDIX A
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WISCONSIN

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WYOMING

HIRST & APPLGATE

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ENDORSEMENT# 7

This endorsement, effective 12:01 am August 4, 2001 forms a part of
 policy number 873-87-52
 issued to MANAGED HEALTH CARE SYSTEMS

by National Union Fire Insurance Company of Pittsburgh, Pa.

CONVERSION ENDORSEMENT

In consideration of the premium charged, it is hereby understood and agreed that the policy is hereby amended as follows:

I.

DECLARATIONS

1. The third paragraph of the Declaration page is deleted in its entirety and replaced with the following:

NOTICE: THE INSURER DOES NOT ASSUME ANY DUTY TO DEFEND. HOWEVER THE INSURED MAY UNDER CERTAIN CONDITIONS TENDER THE DEFENSE OF A CLAIM. IN ALL EVENTS, THE INSURER MUST ADVANCE DEFENSE COSTS PURSUANT TO THE TERMS HEREIN PRIOR TO THE FINAL DISPOSITION OF A CLAIM.

2. Items 1 and 2 of the Declaration page are deleted in their entirety and replaced with the following:

ITEM 1. NAMED ENTITY: MANAGED HEALTH CARE SYSTEMS

MAILING ADDRESS: 175 DERBY STREET; SUITE 24
 HINGHAM, MASSACHUSETTS, 02043-3406

STATE OF INCORPORATION OR STATE OF FORMATION OF THE
 NAMED ENTITY: MASSACHUSETTS

ITEM 2. SUBSIDIARY COVERAGE: any past, present or future
 Subsidiary of the Named Entity

3. Items 5 and 6 of the Declaration page are deleted in their entirety and replaced with the following:

ITEM 5. RETENTION:

Judgments, Settlements and
 Defense Costs (non-Indemnifiable Loss)

None

Employment Practices Claims

Judgments, Settlements and Defense Costs
 (Company and Indemnifiable Loss)

\$ 35,000

for Loss arising from
 Claims alleging the same
 Wrongful Act or Related
 Wrongful Acts (waivable

ENDORSEMENT # 7 (Continued)

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to MANAGED HEALTH CARE SYSTEMS

by National Union Fire Insurance Company of Pittsburgh, Pa.

under Clause 6 in certain
circumstances)

Securities Claims (other than private placements)
Judgments, Settlements and Defense Costs
(Company and Indemnifiable Loss)

\$ 150,000
for Loss arising from
Claims alleging the same
Wrongful Act or Related
Wrongful Acts (waivable
under Clause 6 in certain
circumstances)

All Other Claims (including private placements)
Judgments, Settlements and Defense Costs
(Company and Indemnifiable Loss)

\$ 25,000
for Loss arising from
Claims alleging the same
Wrongful Act or Related
Wrongful Acts (waivable
under Clause 6 in certain
circumstances)

Item 6. PREMIUM: \$ 24,995

ADDITIONAL PREMIUM FOR PUNITIVE, EXEMPLARY AND MULTIPLIED
DAMAGES: \$ _____
(included in above)
(No Punitive damages coverage provided: X)

4. The following Items are hereby added to the Declaration page of this policy

ITEM 7. CONTINUITY DATES:

- A. Coverages A and B(ii): August 4, 2000
- B. Coverage B(i): August 4, 2000
- C. Outside Entity Coverage: Per Outside Entity: August 4, 2000

ITEM 8. (This policy is issued only by the insurance company indicated below.)

National Union Fire Insurance Company of Pittsburgh, Pa.
175 Water Street

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to MANAGED HEALTH CARE SYSTEMS

by National Union Fire Insurance Company of Pittsburgh, Pa.

New York, NY 10038

II.

INSURING AGREEMENTS

5. Insuring Clauses A and B are deleted in their entirety and replaced by the following:

COVERAGE A: INDIVIDUAL INSURED INSURANCE

This policy shall pay the Loss of each and every Director, Officer or Employee of the Company ("Individual Insured") arising from a Claim first made against such Insureds during the Policy Period or the Discovery Period (if applicable) and reported to the Insurer pursuant to the terms of this policy for any actual or alleged Wrongful Act in their respective capacities as Directors, Officers or Employees of the Company except when and to the extent that the Company has indemnified such Insureds. The Insurer shall, in accordance with and subject to Clause 9, advance Defense Costs of such Claim prior to its final disposition.

COVERAGE B: PRIVATE COMPANY INSURANCE

This policy shall pay the Loss of the Company arising from a:

- (i) Claim first made against the Company; or
- (ii) Claim first made against an Individual Insured,

during the Policy Period or the Discovery Period (if applicable) and reported to the Insurer pursuant to the terms of this policy for any actual or alleged Wrongful Act, but, in the case of (ii) above, only when and to the extent that the Company has indemnified the Individual Insured for such Loss pursuant to law, common or statutory, or contract, or the Charter or By-laws of the Company duly effective under such law which determines and defines such rights of indemnity. The Insurer shall, in accordance with and subject to Clause 9, advance Defense Costs of such Claim prior to its final disposition.

DEFENSE PROVISIONS

The Insurer does not assume any duty to defend, provided, however, the Named Entity may at its sole option tender to the Insurer the defense of a Claim for which coverage is provided by this policy in accordance with Clause 9 of the policy. Regardless of whether the defense is so tendered, the Insurer shall advance Defense Costs (excess of the applicable retention amount) of such Claim prior to its final disposition. Selection of counsel to defend a "Designated Claim" shall be made in accordance with Clause 7 of the policy.

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to MANAGED HEALTH CARE SYSTEMS

by National Union Fire Insurance Company of Pittsburgh, Pa.

III.
DEFINITIONS

6. Clause 2, DEFINITIONS 2(a), 2(b), 2(c), 2(d), 2(e), 2(f), 2(g) are modified as follows:

- (a) "Company" means the Named Entity and any Subsidiary thereof.
- (b) "Defense Costs" means reasonable and necessary fees, costs and expenses consented to by the Insurer (including premiums for any appeal bond, attachment bond or similar bond, but without any obligation to apply for or furnish any such bond) resulting solely from the investigation, adjustment, defense and appeal of a Claim against the Insureds, but excluding salaries of officers or Employees of the Company.
- (c) "Insured(s)" means:
 - (1) an Individual Insured; and
 - (2) the Company.
- (d) "Loss" means damages (including back pay and front pay), judgments, settlements, pre- and post-judgment interest, and Defense Costs; however, Loss shall not include: (1) civil or criminal fines or penalties imposed by law; (2) taxes; (3) any amount for which the Insureds are not financially liable or which are without legal recourse to the Insureds; (4) employment-related benefits, stock options, perquisites, deferred compensation or any other type of compensation other than salary, wages or bonus compensation; (5) any liability or costs incurred by any Insured to modify any building or property in order to make said building or property more accessible or accommodating to any disabled person, or any liability or costs incurred in connection with any educational, sensitivity or other corporate program, policy or seminar relating to an Employment Practices Claim; (6) matters which may be deemed uninsurable under the law pursuant to which this policy shall be construed.

If an additional premium is stated in Item 6 of the Declarations page, then Loss shall specifically include, (subject to the policy's other terms, conditions and exclusions, including but not limited to exclusions relating to personal profit or advantage, deliberate fraud, criminal acts or willful violation of any statute, rule or regulation) punitive, exemplary and multiple damages (including the multiple or liquidated damages awards under the Age Discrimination in Employment Act and the Equal Pay Act). It is further understood and agreed that the enforceability of the foregoing coverage shall be governed by such applicable law which most favors coverage for punitive, exemplary and multiple damages. If an additional premium is not stated in Item 6 of the Declaration page then Loss shall not include punitive, exemplary damages or the multiplied portion of multiple damages.

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to *MANAGED HEALTH CARE SYSTEMS*

by *National Union Fire Insurance Company of Pittsburgh, Pa.*

(e) "Policy Period" means the period of time from the inception date shown in Item 3 of the Declarations to the earlier of the expiration date shown in Item 3 of the Declarations or the effective date of cancellation of this policy.

(f) "Subsidiary" means:

- (1) any for-profit organization which, on or before the inception of the Policy Period, is more than 50% owned by the Named Entity, either directly, or indirectly through one or more of its Subsidiaries;
- (2) automatically any for-profit organization whose securities are not publicly traded and whose assets total less than 25% of the total consolidated assets of the Company as of the inception date of this policy and which becomes a Subsidiary during the Policy Period. The Named Entity shall provide the Insurer with full particulars of the new Subsidiary before the end of the Policy Period; or
- (3) an organization which becomes a Subsidiary during the Policy Period (other than a for-profit organization described in paragraph (2) above), but only upon the condition that within 90 days of its becoming a Subsidiary, the Named Entity shall have provided the Insurer with full particulars of the new Subsidiary and agreed to any additional premium or amendment of the provisions of this policy required by the Insurer relating to such new Subsidiary. Further, coverage as shall be afforded to the new Subsidiary is conditioned upon the Named Entity paying when due any additional premium required by the Insurer relating to such new Subsidiary.

An organization becomes a Subsidiary when the Named Entity owns more than a 50% ownership interest in such Subsidiary, either directly, or indirectly through one or more of its Subsidiaries. An organization ceases to be a Subsidiary when the Named Entity ceases to own more than a 50% ownership in such Subsidiary, either directly, or indirectly through one or more of its Subsidiaries.

In all events, coverage as is afforded under this policy with respect to a Claim made against Individual Insureds or a Claim made against any Subsidiary, shall only apply to Claims for Wrongful Acts committed or allegedly committed after the effective time that such Subsidiary became a Subsidiary and prior to the time that such Subsidiary ceased to be a Subsidiary.

(g) "Wrongful Act" means:

ENDORSEMENT# 1 (Corrected)

This endorsement, effective 12:01 am August 4, 2001 forms a part of
 policy number 873-87-52
 issued to MANAGED HEALTH CARE SYSTEMS

by National Union Fire Insurance Company of Pittsburgh, Pa.

- (1) with respect to Individual Insureds, any breach of duty, neglect, error, misstatement, misleading statement, omission or act by such Insureds in their respective capacities as such, or any matter claimed against such Insured solely by reason of their status as directors, officers or Employees of the Company;
- (2) with respect to the Company, any breach of duty, neglect, error, misstatement, misleading statement, omission or act by the Company;
- (3) with respect to service on an Outside Entity, any matter claimed against an Individual Insured as defined in definition (n)(2) arising out of his or her serving as a director, officer, trustee or governor of an Outside Entity in such capacity, but only if such service is at the specific written request or direction of the Company.

With respect to an Employment Practices Claim, the term "Wrongful Act" shall include any Employment Practices Violation.

7. The Section of the policy entitled DEFINITIONS is hereby amended by adding the following definitions to the end thereof:

- (h) "Affiliate" means: (i) any person or entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is in common control with, another person or entity; or (ii) any person or entity that directly, or indirectly through one or more intermediaries, is a successor in interest to another person or entity.
- (i) "Claim" means:
 - (1) a written demand for monetary or non-monetary relief (including any request to toll or waive any statute of limitations); or
 - (2) a civil, criminal, administrative, regulatory or arbitration proceeding for monetary or non-monetary relief which is commenced by:
 - (i) service of a complaint or similar pleading; or
 - (ii) return of an indictment (in the case of a criminal proceeding); or
 - (iii) receipt or filing of a notice of charges;
 - (3) an administrative or regulatory investigation when conducted by the Equal Employment Opportunity Commission ("EEOC") (or similar state, local or foreign agency) which is commenced by the filing of a notice of charges, service of a complaint or similar document of which notice has been given to the Insured. However, in no event, shall the term "Claim" include any labor or grievance proceeding which is subject to a collective bargaining agreement.

This endorsement, effective 12:01 am August 4, 2001 forms a part of
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issued to *MANAGED HEALTH CARE SYSTEMS*

by *National Union Fire Insurance Company of Pittsburgh, Pa.*

The term "Claim" shall include an Employment Practices Claim and a Securities Claim.

- (j) "Continuity Date" means the date set forth in:
- (1) Item 7A of the Declarations with respect to Coverages A and B(ii); or
 - (2) Item 7B of the Declarations with respect to Coverage B(i);
 - (3) Item 7C of the Declarations with respect to a Claim made against an Individual Insured(s) arising out of such Insured's service as a director, officer, trustee or governor of an Outside Entity.
- (k) "Employee(s)" means any past, present or future employee, whether such employee is in a supervisory, co-worker or subordinate position or otherwise, including any part-time, seasonal and temporary employee in his or her capacity as such. An individual who is leased to the Company shall also be an Employee, but only if the Company provides indemnification to such leased individual in the same manner as is provided to the Company's employees. Any other individual who is contracted to perform work for the Company, or who is an independent contractor for the Company shall also be an Employee, but only if the Company provides indemnification to such individual in the same manner as that provided to the Company's employees, and such individual is scheduled by written endorsement attached hereto and the Company pays any additional premium required by the Insurer relating to such individual.
- (l) "Employment Practices Claim" means a Claim alleging an Employment Practices Violation.
- (m) "Employment Practices Violation(s)" means any actual or alleged:
- (1) wrongful dismissal, discharge or termination (either actual or constructive) of employment, including breach of an implied contract;
 - (2) harassment (including sexual harassment whether "quid pro quo", hostile work environment or otherwise);
 - (3) discrimination, (including but not limited to discrimination based upon age, gender, race, color, national origin, religion, sexual orientation or preference, pregnancy, or disability);
 - (4) Retaliation (including lockouts);
 - (5) employment-related misrepresentation(s) to an Employee or applicant for employment with the Company;
 - (6) employment-related libel, slander, humiliation, defamation, invasion of privacy;
 - (7) wrongful failure to employ or promote;
 - (8) wrongful deprivation of career opportunity, wrongful demotion or negligent employee evaluation, including the giving of negative or defamatory statements in connection with an employee reference;

This endorsement, effective 12:01 am August 4, 2001 forms a part of
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by *National Union Fire Insurance Company of Pittsburgh, Pa.*

- (9) wrongful discipline;
- (10) failure to grant tenure;
- (11) failure to provide or enforce adequate or consistent corporate policies and procedure relating to any Employment Practices Violation;

(12) violation of an individual's civil rights relating to any of the above,

but only if the Employment Practices Violation relates to an Employee(s), or applicant for employment with the Company or an Outside Entity, whether direct, indirect, intentional or unintentional.

With respect to any customer or client of the Company, whether individually or as a class or group, Employment Practices Violation shall mean only any actual or alleged discrimination, sexual harassment or violation of an individual's civil rights relating to such discrimination or sexual harassment, whether direct, indirect, intentional or unintentional.

(n) "Individual Insured(s)" means:

- (1) any past, present or future duly elected or appointed directors, officers, management committee members or members of the Board of Managers of the Company, but only in their capacities as such. Coverage will automatically apply to all new directors, officers, management committee members or members of the Board of Managers of the Company after the inception date of this policy;
- (2) any past, present or future duly elected or appointed directors, officers, management committee members or members of the Board of Managers of the Company serving in the capacity as director, officer, trustee or governor of an Outside Entity, but only if such service is at the specific written request or direction of the Company;
- (3) in the event the Company operates outside the United States, then the terms director, officer, management committee member or member of the Board of Managers shall also mean those titles, positions or capacities in such foreign Company which are equivalent to such positions in an organization incorporated or formed within the United States; and
- (4) any Employee(s) of the Company.

(o) "Named Entity" means the organization stated in Item 1 of the Declarations, as amended by this endorsement, whether a corporation, association, limited liability company or other type of business organization.

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by National Union Fire Insurance Company of Pittsburgh, Pa.

- (p) "No Liability" means: (1) a final judgment of no liability obtained prior to trial, in favor of all Insureds, by reason of a motion to dismiss or a motion for summary judgment, after the exhaustion of all appeals; or (2) a final judgment of no liability obtained after trial, in favor of all Insureds, after the exhaustion of all appeals. In no event shall the term "No Liability" apply to a Claim made against an Insured for which a settlement has occurred.
- (q) "Outside Entity" means:
 - (1) a not-for-profit organization under section 501(c)(3) of the Internal Revenue Code of 1986 (as amended); or
 - (2) any other corporation, partnership, joint venture or other organization listed by endorsement to this policy.
- (r) "Related Wrongful Acts" shall mean Wrongful Acts which are the same, related or continuous, or Wrongful Acts which arise from a common nucleus of facts. Claims can allege Related Wrongful Acts regardless of whether such Claims involve the same or different claimants, Insureds or legal causes of action
- (s) "Retaliation" means a Wrongful Act of an Insured relating to or alleged to be in response to any of the following activities: (1) the disclosure or threat of disclosure by an Employee to a superior or to any governmental agency of any act by an Insured which act is alleged to be a violation of any federal, state, local or foreign law, common or statutory, or any rule or regulation promulgated thereunder; (2) the actual or attempted exercise by an Employee of any right that such Employee has under law, including rights under worker's compensation laws, the Family and Medical Leave Act, the Americans with Disabilities Act or any other law relating to employee rights; (3) the filing of any claim under the Federal False Claims Act or any other federal, state, local or foreign "whistle-blower" law; or (4) Employee strikes.
- (t) "Securities Claim" means a Claim (including a civil lawsuit or criminal proceeding brought by the Securities & Exchange Commission) made against an Insured anywhere in the world alleging a violation of any law, regulation or rule, whether statutory or common law, which is:
 - (1) brought by any person or entity alleging, arising out of, based upon or attributable to, in part or in whole, the purchase or sale, or offer or solicitation of an offer to purchase or sell, any securities of the Company; or

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by National Union Fire Insurance Company of Pittsburgh, Pa.

- (2) brought by a securities holder of the Company, whether directly, by class action, or derivatively on the behalf of the Company, or otherwise, alleging any Wrongful Act of an Insured.

IV. EXTENSIONS

8. The Section of the policy entitled EXTENSIONS is deleted in its entirety and replaced with the following:

Subject otherwise to the terms hereof, this policy shall cover Loss arising from any Claims made against the estates, heirs, or legal representatives of deceased Individual Insureds, and the legal representatives of Individual Insureds in the event of incompetency, insolvency or bankruptcy, who were Individual Insureds at the time the Wrongful Act upon which such Claims are based were committed.

Subject otherwise to the terms hereof, this policy shall cover Loss arising from all Claims made against the lawful spouse (whether such status is derived by reason of statutory law, common law or otherwise of any applicable jurisdiction in the world) of an Individual Insured for all Claims arising solely out of his or her status as the spouse of an Individual Insured, including a Claim that seeks damages recoverable from marital community property, property jointly held by the Individual Insured and the spouse, or property transferred from the Individual Insured to the spouse; provided, however, that this extension shall not afford coverage for any Claim for any actual or alleged Wrongful Act of the spouse, but shall apply only to Claims arising out of any actual or alleged Wrongful Acts of an Individual Insured, subject to the policy's terms, conditions and exclusions.

V. EXCLUSIONS

8. Clause 4, EXCLUSIONS is amended as follows:

The first sentence thereof is deleted in its entirety and replaced with the following:

The Insurer shall not be liable to make any payment for Loss in connection with a Claim made against an Insured:

Exclusions 4(b), 4(g), 4(h), 4(i), 4(j), 4(k), 4(l), and 4(m) are modified as follows:

(b) arising out of, based upon or attributable to the committing in fact of any criminal, fraudulent or dishonest act, or willful violation of any statute, rule or law;

This endorsement, effective 12:01 am August 4, 2001 forms a part of
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 issued to *MANAGED HEALTH CARE SYSTEMS*

by *National Union Fire Insurance Company of Pittsburgh, Pa.*

The Wrongful Act of an Insured shall not be imputed to any other Insured for the purpose of determining the applicability of the following exclusions 4(a) through 4(d).

- (g) alleging, arising out of, based upon or attributable to the facts alleged, or to the same or Related Wrongful Act alleged or contained in any claim which has been reported, or in any circumstances of which notice has been given, under any policy of which this policy is a renewal or replacement or which it may succeed in time;
- (h) alleging, arising out of, based upon or attributable to as of the Continuity Date, any pending or prior: (1) litigation; or (2) administrative or regulatory proceeding or investigation of which an Insured had notice, or alleging any Wrongful Act which is the same or Related Wrongful Act to that alleged in such pending or prior litigation or administrative or regulatory proceeding or investigation;
- (i) which is brought by any Insured or by the Company; or which is brought by any security holder of the Company, whether directly or derivatively, unless such security holder's Claim is instigated and continued totally independent of, and totally without the solicitation of, or assistance of, or active participation of, or intervention of, any Insured; provided, however, this exclusion shall not apply to:
 - (1) any Claim brought by an Individual Insured where such Claim is in the form of a cross-claim or third-party claim for contribution or indemnity which is part of and results directly from a Claim which is not otherwise excluded by the terms of this policy; or
 - (2) an Employment Practices Claim brought by an Employee of the Company other than an Employee who is or was a director, member of the Board of Managers or management committee member of the Named Entity;
- (j) for any actual, alleged or threatened discharge, dispersal, release or escape of pollutants; or for any direction or request to test, monitor, clean up, remove, contain, treat, detoxify or neutralize pollutants; provided, however this exclusion shall not any Claim brought by a securities holder of the Company in its capacity as such or to any Employment Practices Claim;
- (k) for any Wrongful Act arising out of an Individual Insured serving in a capacity as a director, officer, trustee or governor of an Outside Entity if such Claim is brought by the Outside Entity or a director, officer, trustee or governor thereof;

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- (i) for violation(s) of any of the responsibilities, obligations or duties imposed by the Employee Retirement Income Security Act of 1974, the Fair Labor Standards Act (except the Equal Pay Act), the National Labor Relations Act, the Worker Adjustment and Retraining Notification Act, the Consolidated Omnibus Budget Reconciliation Act, the Occupational Safety and Health Act, any rules and regulations of the foregoing promulgated thereunder, and amendments thereto or any similar provisions of any federal, state, local or foreign statutory law, or common law; provided; however, that this exclusion shall not apply to Loss arising from a Claim for Retaliation;
 - (m) alleging, arising out of, based upon, attributable to, or in any way involving, directly or indirectly, bodily injury, sickness, disease or death of any person, or damage to or destruction of any tangible property, including the loss of use thereof; provided, however, that this exclusion shall not apply to Securities Claims;
10. Clause 4, EXCLUSIONS (e), (f) and (n) are deleted in their entirety and replaced with the following:
- (e) alleging, arising out of, based upon or attributable to any actual or alleged act or omission of an Insured serving in any capacity, other than a director, officer, management committee member, member of the Board of Managers or Employee of the Company, or as a director, officer, trustee or governor of an Outside Entity;
 - (f) alleging, arising out of, based upon or attributable to any actual or alleged contractual liability of the Company or any other Insured under any express contract or agreement; provided, however, that with respect to Employment Practice Claims, this exclusion shall not apply to the extent any liability does not arise under such express employment contract or agreement;
 - (n) alleging, arising out of, based upon or attributable to public offering of securities by the Company, an Outside Entity or an Affiliate or alleging a purchase or sale of such securities subsequent to such public offering;
- provided, however, that this exclusion will not apply to:
- (1) any purchase or sale of securities exempted pursuant to section 3 (b) of the Securities Act of 1933. Coverage for such purchase or sale transaction shall not be conditioned upon payment of any additional premium; however, the Named Entity shall give the Insurer written notice of any public offering exempted pursuant to section 3 (b), together with full particulars and as soon as practicable, but not later than 30 days after the effective date of the public offering;

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(2) to any public offering of securities (other than a public offering described in paragraph (1) above), as well as any purchase or sale of such subsequent to such public offering, in the event that within 30 days prior to the effective time of such public offering: (i) the Named Entity shall give written notice of such public offering together with full particulars and underwriting information required thereto and (ii) the Named Entity accepts such terms, conditions and additional premium required by the Insurer for such coverage. Such coverage is also subject to the Named Entity paying when due any such additional premium. In the event the Company gives written notice and full particulars and underwriting information pursuant to (i) above, then the Insurer must offer a quote for coverage under this paragraph.

11. Clause 4, EXCLUSIONS is further amended by the addition of the following Exclusions:

- (o) for emotional distress, or for injury from libel or slander, or defamation or disparagement, or for injury from a violation of a person's right of privacy; provided, however, this exclusion shall not apply to any Securities Claim or Employment Practices Claim;
- (p) alleging, arising out of, based upon or attributable to any obligation pursuant to any worker's compensation, disability benefits, unemployment compensation, unemployment insurance, retirement benefits, social security benefits or similar law; provided, however, this exclusion shall not apply to a Claim for Retaliation;
- (q) alleging, arising out of, based upon or attributable to the purchase by the Company of securities of a "publicly traded entity" in a transaction which resulted, or would result, in such entity becoming an Affiliate or Subsidiary of the Company; provided, however, this exclusion shall not apply in the event that within 30 day prior to it becoming an Affiliate or Subsidiary, the Named Entity gives written notice of the transaction to the Insurer together with full particulars and underwriting information required and agrees to any additional premium or amendment of the provisions of this policy required by the Insurer relating to the transaction. Further, coverage as shall be afforded to the transaction is conditioned upon the Named Entity paying when due any additional premium required by the Insurer relating to the transaction. An entity is a "publicly traded entity" if any securities of such entity have been previously subject to a public offering;
- (r) with respect to Coverage B(i) only:
 - (1) for any actual or alleged plagiarism, misappropriation, infringement or violation of copyright, patent, trademark, trade secret or any other

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- (2) intellectual property rights;
 for any actual or alleged violation of any law, whether statutory, regulatory or common law, respecting any of the following activities: anti-trust, business competition, unfair trade practices or tortuous interference in another's business or contractual relationships;
- (3) for the rendering or failure to render any service to a customer or client of the Insured provided, however, that this exclusion shall not apply to any:
 - (i) Claim solely alleging Employment Practices Violations;
 - (ii) Securities Claim; or
 - (iii) Claim for the rendering or failure to render any professional service to the extent such professional services errors and omissions coverage has been added to this policy by written endorsement attached hereto;
- (4) seeking fines or penalties or non-monetary relief against the Company; provided, however, that this exclusion shall not apply to any Securities Claim or Employment Practices Claim.

VI.

Clauses 5, 6, 8, 9, 10, 11, 12, 13, 14, 15, 17 are deleted in their entirety and replaced with the following:

12. Clause 5, LIMIT OF LIABILITY and REINSTATED LIMIT OF LIABILITY (FOR ALL LOSS - INCLUDING DEFENSE COSTS)

Defense Costs are not payable by the Insurer in addition to the limit of liability. Defense Costs are part of Loss and as such are subject to the applicable Limit of Liability for Loss.

A. General Terms

The Limit of Liability stated in Item 4 of the Declaration page is the limit of the Insurer's liability for all Loss, under Coverage A and Coverage B combined, arising out of all Claims first made against the Insureds during the Policy Period and the Discovery Period (if applicable); however, the Limit of Liability for the Discovery Period shall be part of, and not in addition to, the Limit of Liability for the Policy Period, or the Reinstated Limit as described below (if elected). Further, a Claim which is made subsequent to the Policy Period or the Discovery Period (if applicable) which pursuant to Clause 8(b) or 8(c) is considered made during the Policy Period or Discovery Period shall also be subject to the one applicable aggregate Limit of Liability stated in Item 4 of the Declaration page, or subject to the one aggregate Reinstated Limit if such Reinstated Limit is applicable to such Claim.

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B. Reinstated Limit of Liability

In the event of a Claim under this policy, the Named Entity shall have the right to purchase a Reinstated Limit equal to the Limit of Liability stated in Item 4 of the Declarations. The Reinstated Limit shall be subject to the following conditions:

1. The right to elect the Reinstated Limit commences on the date a Claim is reported to the Insurer and expires on the last day of the Policy Period; provided, that in all events only one reinstatement is permitted under this policy. The effective date of the reinstatement shall be the date on which the Insurer acknowledges receipt of the written notice of the Insured's election to exercise the reinstatement.
2. If the Policy Period of this policy is more than one year, then the additional premium to elect the Reinstated Limit at any time after one year from the inception date of this policy shall be fixed at 150% of the premium set forth in Item 6 of the Declarations. Regardless of the length of the Policy Period of this policy, the additional premium to elect the Reinstated Limit within one year from the inception date of this policy shall be an amount determined by the Insurer at the time of the election of the Reinstated Limit unless otherwise indicated by written endorsement to this policy.
3. The Reinstated Limit shall only apply to Claims made against an Insured after the effective date of the reinstatement and prior to the end of the Policy Period or the Discovery Period, if applicable, ("Reinstatement Claims"); provided, however, that the Reinstated Limit shall not apply to Claims which allege a Related Wrongful Act to Claim(s) reported to the Insurer prior to the effective date of the reinstatement.
4. The Reinstated Limit shall be the maximum liability of the Insurer for all Reinstatement Claims. The Limit of Liability described in clause 5A as applicable to claims made against the Insureds prior to effective date of the reinstatement shall not apply to any Reinstatement Claim.
5. Upon exercise of the Reinstated Limit, the entire premium set forth in Item 6 of the Declarations shall be deemed fully earned; the Insureds shall not be entitled to any return premium as a result of the exercise of the Reinstated Limit nor shall any of the premium paid for the policy be credited toward the additional premium required to exercise the Reinstated Limit.
6. In no event shall the right to a reinstatement apply if prior to the effective date of the reinstatement, this policy has been cancelled, is otherwise not in effect, or the Discovery Period has been elected.
7. Other than as stated above, coverage for Reinstatement Claims shall be subject to the same terms, conditions and exclusions of the policy applicable to other Claims under this policy. The Insurer cannot

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otherwise modify any terms, conditions or exclusions of this policy as
 a condition of providing the reinstatement.

13. Clause 6, RETENTION CLAUSE

The Insurer shall only be liable for the amount of Loss arising from a Claim which is in excess of the Retention amount stated in Item 5 of the Declarations, such Retention amount to be borne by the Company or the Insureds and shall remain uninsured with regard to all Loss under: (1) Coverage A or B(ii) for which the Company has indemnified or is permitted or required to indemnify the Individual Insured(s) ("Indemnifiable Loss"), or (2) Coverage B(i). A single Retention amount shall apply to Loss arising from all Claims alleging the same Wrongful Act or Related Wrongful Act.

Subject to the above paragraph, the Retention amounts stated in Item 5 of the Declarations shall apply. In the event a Claim triggers more than one amount stated in Item 5 of the Declarations, only the highest such amount shall apply, which amount shall apply to the entire Claim.

The retention amount shall be reduced in the event that an Insured consents to the first "Settlement Opportunity", as defined in Clause 9, by the percentage described in Clause 9, subject to the conditions described in Clause 9.

No Retention shall apply to a Claim which is in the form of a civil action for monetary relief and the Insurer shall thereupon reimburse the Defense Costs paid by the Insured, in the event of:

- (1) a determination of No Liability of all Insureds; or
- (2) a dismissal or a stipulation to dismiss the civil litigation Claim without prejudice and without the payment of any consideration by any Insured;

provided, however, that in the case of (2) above, such reimbursement shall occur ninety (90) days after the date of dismissal or stipulation as long as the Claim is not re-brought (or any other Claim which is subject to the same single retention by virtue of Clause 6 is not brought) within that time, and further subject to an undertaking by the Company in a form acceptable to the Insurer that such reimbursement shall be paid back by the Company to the Insurer in the event the Claim (or any other Claim which is subject to the same single retention by virtue of Clause 6) is brought after such 90 day period and before the expiration of the statute of limitations for such Claim.

14. Clause 8, NOTICE/CLAIM REPORTING PROVISIONS

Notice hereunder shall be given in writing to the Insurer named in Item 8 of the Declaration page at the address indicated in Item 8 of the Declaration page.

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If mailed, the date of mailing shall constitute the date that such notice was given and proof of mailing shall be sufficient proof of notice. A Claim shall be considered to have been first made against an Insured when written notice of such Claim is received by any Insured, by the Company on the behalf of any Insured or by the Insurer, whichever comes first.

- (a) The Company or the Insureds shall, as a condition precedent to the obligations of the Insurer under this policy, give written notice to the Insurer of any Claim made against an Insured as soon as practicable and either:
 - (1) anytime during the Policy Period or during the Discovery Period (if applicable); or
 - (2) within 30 days after the end of the Policy Period or the Discovery Period (if applicable), as long as such Claim is reported no later than 30 days after the date such Claim was first made against an Insured.
- (b) If written notice of a Claim has been given to the Insurer pursuant to Clause 8(a) above, then any Claim which is subsequently made against the Insureds and reported to the Insurer alleging an Related Wrongful Act to the Claim for which such notice has been given, shall be considered made at the time such notice was given.
- (c) If during the Policy Period or during the Discovery Period (if applicable) the Company or the Insureds shall become aware of any circumstances which may reasonably be expected to give rise to a Claim being made against the Insureds and shall give written notice to the Insurer of the circumstances and the reasons for anticipating such a Claim, with full particulars as to dates, persons and entities involved, then any Claim which is subsequently made against the Insureds and reported to the Insurer alleging, arising out of, based upon or attributable to such circumstances or alleging any Related Wrongful Act to such circumstances, shall be considered made at the time such notice of such circumstances was given.

15. Clause 9, DEFENSE COSTS, SETTLEMENTS, JUDGMENTS (INCLUDING THE ADVANCEMENT OF DEFENSE COSTS)

The Insurer does not assume any duty to defend. The Insureds shall defend and contest any Claim made against them.

Notwithstanding the foregoing, the Insureds shall have the right to tender the defense of the Claim to the Insurer, which right shall be exercised in writing by the Named Entity on behalf of all Insureds to the Insurer pursuant to the notice provisions of Clause 8 of this policy. This right shall terminate if not exercised within 30 days of the date the Claim is first made against an Insured, pursuant to Clause 8 of the policy. Further, from the date the Claim is first made against the

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Insureds to the date when the Insurer accepts the tender of the defense of such Claim, the Insureds shall take no action, or fail to take any required action, that prejudices the rights of the Insureds or the Insurer with respect to such Claim. Provided that the Insureds have complied with the foregoing, the Insurer shall be obligated to assume the defense of the Claim, even if such Claim is groundless, false or fraudulent. The assumption of the defense of the Claim shall be effective upon written confirmation sent thereof by the Insurer to the Named Entity. Once the defense has been so tendered, the Insured shall have the right to effectively associate with the Insurer in the defense and the negotiation of any settlement of any Claim, subject to the provisions of this Clause 9. However, the Insurer shall not be obligated to defend such Claim after the Limit of Liability has been exhausted, or after an Insured's rejection of a Settlement Opportunity as defined in this Clause 9.

When the Insurer has not assumed the defense of a Claim pursuant to Clause 9, the Insurer shall advance nevertheless, at the written request of the Insured, Defense Costs prior to the final disposition of a Claim. Such advanced payments by the Insurer shall be repaid to the Insurer by the Insureds or the Company, severally according to their respective interests, in the event and to the extent that the Insureds or the Company shall not be entitled under the terms and conditions of this policy to payment of such Loss.

The Insureds shall not admit or assume any liability, enter into any settlement agreement, stipulate to any judgment, or incur any Defense Costs without the prior written consent of the Insurer. Only those settlements, stipulated judgments and Defense Costs which have been consented to by the Insurer shall be recoverable as Loss under the terms of this policy. The Insurer's consent shall not be unreasonably withheld, provided that the Insurer, when it has not assumed the defense of a Claim pursuant to this Clause 9, shall be entitled to effectively associate in the defense and the negotiation of any settlement of any Claim, and provided further that in all events the Insurer may withhold consent to any settlement, stipulated judgment or Defense Costs, or any portion thereof, to the extent such Loss is not covered under the terms of this policy.

The Insurer shall have the right to effectively associate with the Company in the defense of any Claim that appears reasonably likely to involve the Insurer, including but not limited to negotiating a settlement. The Company and the Insureds shall give the Insurer full cooperation and such information as it may reasonably require.

If the Insurer recommends a settlement within the policy's applicable Limit of Liability which is acceptable to the claimant (a "Settlement Opportunity"), and the Insureds consent to such settlement, then the Insured's applicable retention amount shall be retroactively reduced by ten percent (10%) for such Loss. It shall be a condition to such reduction that the Insureds must consent to such settlement within thirty (30) days of the date the Insureds are first made aware of the

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Settlement Opportunity, or in the case of a Settlement Opportunity which arises from a settlement offer by the claimant, then within the time permitted by the claimant to accept such settlement offer, but in all events no later than thirty (30) days after the settlement offer was made.

However, if a Settlement Opportunity arises and the Insureds do not consent to the settlement within the time prescribed above, the retention amount shall remain the applicable amount set forth in Item 5 of the Declarations even if consent is given to a subsequent Settlement Opportunity.

Furthermore, in the event the Insureds do not consent to the first Settlement Opportunity within the time prescribed, then, subject to the applicable limit of liability, the Insurer's liability for all Loss on account of such Claim shall not exceed: (1) the amount for which the Insurer could have settled such Claim plus Defense Costs incurred as of the date such settlement was proposed in writing by the Insurer, ("Settlement Opportunity Amount") plus (2) 50% of covered Loss in excess of such Settlement Opportunity Amount, it being a condition of this insurance that the remaining 50% of such Loss excess of the Settlement Opportunity Amount shall be carried by the Company and the Insureds at their own risk and be uninsured. Notwithstanding the foregoing, this paragraph shall not apply until the Settlement Opportunity Amount exceeds the Retention amount stated in Item 5 of the Declaration page.

16. Clause 10, DISCOVERY CLAUSE

Except as indicated below, if the Named Entity shall cancel or the Named Entity or the Insurer shall refuse to renew this policy, the Named Entity shall have the right to a period of either one, two or three years following the effective date of such cancellation or nonrenewal upon payment of the respective "Additional Premium Amount" described below (herein referred to as the "Discovery Period") in which to give to the Insurer written notice of Claims first made against the Insureds during said Discovery Period for any Wrongful Act occurring prior to the end of the Policy Period and otherwise covered by this policy. The rights contained in this paragraph shall terminate, however, unless written notice of such election together with the additional premium due is received by the Insurer within 30 days of the effective date of cancellation or nonrenewal. The Additional Premium for the Discovery Period shall be fully earned at the inception of the Discovery Period. The Discovery Period is not cancelable. This clause and the rights contained herein shall not apply to any cancellation resulting from non-payment of premium.

The Additional Premium Amount for: (1) one year shall be 75% of the "full annual premium"; (2) two years shall be 150% of the "full annual premium"; (3) three years shall be a reasonable premium amount to be mutually agreed upon by the Insured and the Insurer. As used herein, "full annual premium" means the premium level in effect immediately prior to the end of the Policy Period.

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In the event of a Transaction, as defined in Clause 12, the Named Entity shall have the right, within 30 days before the end of the Policy Period, to request an offer from the Insurer of a Discovery Period (with respect to Wrongful Acts occurring prior to the effective time of the Transaction) for a period of no less than three years or for such longer or shorter period as the Named Entity may request. The Insurer shall offer such Discovery Period pursuant to such terms, conditions and premium as the Insurer may reasonably decide. In the event of a Transaction, the right to a Discovery Period shall not otherwise exist except as indicated in this paragraph.

17. Clause 11, CANCELLATION CLAUSE

This policy may be canceled by the Named Entity at any time only by mailing written prior notice to the Insurer or by surrender of this policy to the Insurer or its authorized agent.

This policy may be canceled by or on the behalf of the Insurer only in the event of nonpayment of premium by the Named Entity. In the event of non-payment of premium by the Named Entity, the Insurer may cancel this policy by delivering to the Named Entity or by mailing to the Named Entity, by registered, certified, or other first class mail, at the Named Entity's address as shown in Item 1 of the Declarations, written notice stating when, not less than 30 days thereafter, the cancellation shall be effective. The mailing of such notice as aforesaid shall be sufficient proof of notice. The Policy Period terminates at the date and hour specified in such notice, or at the date and time of surrender. The Insurer shall have the right to the premium amount for the portion of the Policy Period during which the policy was in effect.

If this policy shall be canceled by the Named Entity, the Insurer shall retain the customary short rate proportion of the premium herein.

If the period of limitation relating to the giving of notice is prohibited or made void by any law controlling the construction thereof, such period shall be deemed to be amended so as to be equal to the minimum period of limitation permitted by such law.

18. Clause 12, CHANGE IN CONTROL OF NAMED ENTITY

If during the Policy Period:

- a. the Named Entity shall consolidate with or merge into, or sell all or substantially all of its assets to any other person or entity or group of persons or entities acting in concert; or

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- b. any person or entity or group of persons or entities acting in concert shall acquire an amount of the outstanding securities representing more than 50% of the voting power for the election of directors of the Named Entity, or acquires the voting rights of such an amount of such securities;

(either of the above events herein referred to as the "Transaction"),

then this policy shall continue in full force and effect as to Wrongful Acts occurring prior to the effective time of the Transaction, but there shall be no coverage afforded by any provision of this policy for any actual or alleged Wrongful Act occurring after the effective time of the Transaction. This policy may not be canceled after the effective time of the Transaction and the entire premium for this policy shall be deemed earned as of such time. The Named Entity shall also have the right to an offer by the Insurer of a Discovery Period described in Clause 10 of the policy.

- ✓ The Named Entity shall give the Insurer written notice of the Transaction as soon as practicable, but not later than 30 days after the effective date of the Transaction.

19. Clause 13, SUBROGATION

In the event of any payment under this policy, the Insurer shall be subrogated to the extent of such payment to all the Company's and the Insured's right of recovery thereof, and the Company and the Insureds shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Insurer to effectively bring suit in the name of the Company or the Insureds. In no event, however, shall the Insurer exercise its rights of subrogation against an Insured under this policy unless such Insured has been convicted of a criminal act, or been determined to have committed a dishonest, fraudulent act or willful violation of any statute, rule or law, or obtained any profit or advantage to which such Insured was not legally entitled.

20. Clause 14, OTHER INSURANCE AND INDEMNIFICATION

Such insurance as is provided by this policy shall apply only as excess over any other valid and collectible insurance. This policy specifically shall be excess of any other policy pursuant to which any other insurer has a duty to defend a Claim for which this policy may be obligated to pay Loss.

In the event of a Claim against an Insured arising out of his or her service as a director, officer, trustee or governor of an Outside Entity or an Employment Practices Claim against a leased Employee as described in definition (k) of Clause 2, coverage as is afforded by this policy shall be specifically excess of indemnification

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provided by such Outside Entity or such leasing company and any insurance provided to such Outside Entity or such leasing company.

Further, in the event other insurance is provided to the Outside Entity or leasing company referenced in the above paragraph, or is provided under any pension trust or employee benefit plan fiduciary liability insurance policy, and such other insurance is provided by the Insurer or any member company of American International Group, Inc. (AIG) (or would be provided but for the application of the retention amount, exhaustion of the limit of liability or failure to submit a notice of a Claim) then the Insurer's maximum aggregate Limit of Liability for all Losses combined in connection with a Claim covered, in part or in whole, by this policy and such other insurance policy issued by AIG shall not exceed the greater of the Limit of Liability of this policy or the limit of liability of such other AIG insurance policy.

21. Clause 15, NOTICE AND AUTHORITY

It is agreed that the Named Entity shall act on behalf of the Subsidiaries and all Insureds with respect to the giving of notice of a Claim, the giving and receiving of notice of cancellation, the payment of premiums and the receiving of any return premiums that may become due under this policy, the receipt and acceptance of any endorsements issued to form a part of this policy, the exercising or declining of the right to tender the defense of a Claim to the Insurer and the exercising or declining of any right to a Discovery Period or Reinstated Limit.

22. Clause 17, ACTION AGAINST INSURER

Except as provided in Clause 18 of the policy, no action shall lie against the Insurer unless, as a condition precedent thereto, there shall have been full compliance with all of the terms of this policy, nor until the amount of the Insureds' obligation to pay shall have been finally determined either by judgment against the Insureds after actual trial or by written agreement of the Insureds, the claimant and the Insurer.

Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under this policy to the extent of the insurance afforded by this policy. No person or organization shall have any right under this policy to join the Insurer as a party to any action against the Insureds or the Company to determine the Insureds' liability, nor shall the Insurer be impleaded by the Insureds or the Company or their legal representatives. Bankruptcy or insolvency of the Company or the Insureds or of their estates shall not relieve the Insurer of any of its obligations hereunder.

VII.

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23. Clause 7, COINSURANCE CLAUSE, is deleted in its entirety and replaced with the following:

Clause 7, PRE-AUTHORIZED DEFENSE ATTORNEYS FOR DESIGNATED CLAIMS

This clause applies only to an Employment Practices Claim or a Securities Claim (each of the foregoing hereinafter referred to as a "Designated Claim").

Affixed as Appendix A hereto and made a part of this policy is a list or lists of Panel Counsel law firms ("Panel Counsel Firms") from which a selection of legal counsel shall be made to conduct the defense of any Designated Claim against an Insured pursuant to the terms set forth below.

In the event the Insurer has assumed the defense pursuant to Clause 9 of this policy, then the Insurer shall select a Panel Counsel Firm to defend the Insureds. In the event the Insureds are already defending a Designated Claim, then the Insureds shall select a Panel Counsel Firm to defend the Insureds.

The selection of the Panel Counsel Firm, whether done by the Insurer or the Insureds, shall be from the list of Panel Counsel Firms designated for the type of Claim and be from the jurisdiction in which the Designated Claim is brought. In the event a Designated Claim is brought in a jurisdiction not included on the appropriate list, the selection shall be made from a listed jurisdiction which is the nearest geographic jurisdiction to either where the Designated Claim is maintained or where the corporate headquarters or state of formation of the Named Entity is located. In such instance, however, the Insurer shall, at the written request of the Named Entity, assign a non-Panel Counsel Firm of the Insurer's choice in the jurisdiction in which the Designated Claim is brought to function as "local counsel" on the Designated Claim to assist the Panel Counsel Firm which will function as "lead counsel" in conducting the defense of the Designated Claim.

With the express prior written consent of the Insurer, an Insured may select (in the case of the Insured defending the Claim), or cause the Insurer to select (in the case of the Insurer defending the Claim), a Panel Counsel Firm different from that selected by other Insured defendants if such selection is required due to an actual conflict of interest or is otherwise reasonably justifiable.

The list of Panel Counsel Firms may be amended from time to time by the Insurer. However, no change shall be made to the specific list attached to this policy during the Policy Period without the consent of the Named Entity.

VIII.

The following Clauses are hereby added to the policy:

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issued to MANAGED HEALTH CARE SYSTEMS

by National Union Fire Insurance Company of Pittsburgh, Pa.

24. Clause 18, DISPUTE RESOLUTION PROCESS

The Insured shall have the option, in its sole discretion, to submit all disputes or differences which may arise under or in connection with this policy, whether arising before or after termination of this policy, including any determination of the amount of Loss, to the alternative dispute resolution process ("ADR") set forth in this clause.

The Insureds may elect the type of ADR discussed below. The Insurer agrees to submit to the ADR process chosen by the Insured. Once elected, the ADR cannot be terminated prior to a determination without consent of the Insured and the Insurer.

There shall be two choices of ADR: (1) non-binding mediation administered by the American Arbitration Association, in which the Insurer and Insureds shall try in good faith to settle the dispute by mediation under or in accordance with its then-prevailing Commercial Mediation Rules; or (2) arbitration submitted to the American Arbitration Association under or in accordance with its then-prevailing Commercial Arbitration Rules, in which the arbitration panel shall be composed of three disinterested individuals. In either mediation or arbitration, the mediator(s) or arbitrators shall have knowledge of the legal, corporate management, or insurance issues relevant to the matters in dispute. The mediator(s) or arbitrators shall also give due consideration to the general principles of the law of the state where the Named Entity is incorporated or formed in the construction or interpretation of the provisions of this policy; provided, however, that the terms, conditions, provisions and exclusions of this policy are to be construed in an even-handed fashion in the manner most consistent with the relevant terms, conditions, provisions or exclusions of the policy. In the event of arbitration, the decision of the arbitrators shall be final and binding and provided to both parties, and the arbitrators' award shall not include attorneys fees or other costs. In the event of mediation, either party shall have the right to commence a judicial proceeding; provided, however, that no such judicial proceeding shall be commenced until the mediation shall have been terminated and at least 120 days shall have elapsed from the date of the termination of the mediation. In all events, each party shall share equally the expenses of the ADR.

Either choice of ADR may be commenced in New York, New York; Atlanta, Georgia; Chicago, Illinois; Denver, Colorado; or in the state indicated in Item 1 of the Declarations page as the mailing address for the Named Entity. The Named Entity shall act on behalf of all Insureds in deciding to proceed with ADR under this clause.

25. Clause 19, REPRESENTATIONS AND SEVERABILITY

ENDORSEMENT # 1 (Continued)

This endorsement, effective 12:01 am August 4, 2001 forms a part of
 policy number 873-87-52
 issued to MANAGED HEALTH CARE SYSTEMS

by National Union Fire Insurance Company of Pittsburgh, Pa.

In granting coverage under this Policy, it is agreed that the Insurer has relied upon the statements and representations contained in the application for this policy (including materials submitted thereto and, if this is a renewal application, all such previous policy applications for which this policy is a renewal) as being accurate and complete. All such statements and representations shall be deemed to be material to the risk assumed by the Insurer, are the basis of this policy and are to be considered as incorporated into this policy.

With respect to such statements and representations, no knowledge or information possessed by any Individual Insured, except for those person or persons who executed the application, shall be imputed to any other Individual Insured. If any person who executed the application knew that such statement or representation was inaccurate or incomplete, then this policy will be void as to all Insureds other than Individual Insureds who are "non-employee Directors" of the Company and who did not personally know the statement or representation to be inaccurate or incomplete. The term "non-employee Director" shall have the meaning described in Securities & Exchange Commission rules or regulations promulgated pursuant to section 16 of the Securities Exchange Act of 1934).

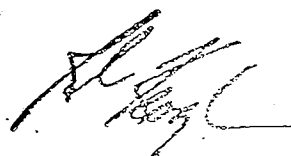
26. Clause 20, WORLDWIDE TERRITORY

This policy shall apply to Claims made against an Insured anywhere in the world.

27. Clause 21, CONVERSION

This policy shall automatically convert to the policy form entitled DIRECTORS, OFFICERS AND PRIVATE COMPANY LIABILITY INSURANCE ("PrivateEdge") bearing policy form number 68462 (8/97). It is expressly understood that the Insured's consent is not required as a condition precedent to such conversion. Such conversion shall occur on the date and time the DIRECTORS, OFFICERS AND PRIVATE COMPANY LIABILITY INSURANCE ("PrivateEdge") form is approved by the appropriate insurance department in the state of domicile of the Named Entity as stated in Item 1. of the Declarations. The Insurer is hereby authorized to replace this policy with the DIRECTORS, OFFICERS AND PRIVATE COMPANY LIABILITY INSURANCE ("PrivateEdge") bearing policy form numbers 68462 (8/97) upon such approval as soon as practicable. The physical re-issuance of the policy form shall not be a condition precedent to the effectiveness of this Clause.

ALL OTHER TERMS, CONDITIONS, AND EXCLUSIONS REMAIN UNCHANGED.



AIG/GE HFS 00222

AUTHORIZED REPRESENTATIVE

ENDORSEMENT# 2

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to *MANAGED HEALTH CARE SYSTEMS*

by *National Union Fire Insurance Company of Pittsburgh, Pa.*

OUTSIDE ENTITY ENDORSEMENT

In consideration of the premium charged, it is hereby understood and agreed that the following entities shall be deemed an "Outside Entity" with respect to its corresponding Continuity Date below:

OUTSIDE ENTITY

- 1) a not-for-profit organization under section 501 (c)(3) of the Internal Revenue Code of 1986 (as amended).

CONTINUITY DATE

August 4, 2000

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

AUTHORIZED REPRESENTATIVE

END 002

AIG/GE HFS 00223

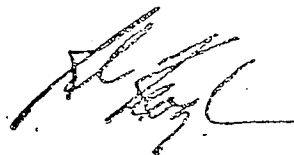
ENDORSEMENT# 3

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to MANAGED HEALTH CARE SYSTEMS

by National Union Fire Insurance Company of Pittsburgh, Pa.

CAPTIVE INSURANCE COMPANY

In consideration of the premium charged, it is hereby understood and agreed that the Insurer shall not be liable to make any payments for Loss in connection with any claim or claims made against the Directors or Officers alleging, arising out of, based upon or attributable to the ownership, management, maintenance and/or control by the Company of any captive insurance company or entity including but not limited to claims alleging the insolvency or bankruptcy of the Named Corporation as a result of such ownership, operation, management and control.



AUTHORIZED REPRESENTATIVE

END 003

ENDORSEMENT# 4

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to *MANAGED HEALTH CARE SYSTEMS*

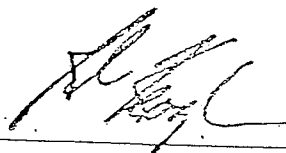
by *National Union Fire Insurance Company of Pittsburgh, Pa.*

COMMISSIONS EXCLUSION

In consideration of the premium charged, it is hereby understood and agreed that the Insurer shall not be liable to make any payment for Loss in connection with any claim(s) made against any Insured(s) alleging, arising out of, based upon, or attributable to:

- (i) Payments, commissions, gratuities, benefits or any other favors to or for the benefit of any full or part-time domestic or foreign government or armed services officials, agents, representatives, employees or any members of their family or any entity with which they are affiliated; or
- (ii) Payments, commissions, gratuities, benefits or any other favors to or for the benefit of any full or part-time officials, directors, agents, partners, representatives, principal shareholders, or owners or employees, or "affiliates" (as that term is defined in The Securities Exchange Act of 1934, including any officers, directors, agents, owners, partners, representatives, principal shareholders or employees of such affiliates) of any customers of the company or any members of their family or any entity with which they are affiliated; or
- (iii) Political contributions, whether domestic or foreign.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.



AUTHORIZED REPRESENTATIVE

END 004

AIG/GE HFS 00225

ENDORSEMENT# 5

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to MANAGED HEALTH CARE SYSTEMS

by National Union Fire Insurance Company of Pittsburgh, Pa.

NUCLEAR ENERGY LIABILITY EXCLUSION ENDORSEMENT
(BROAD FORM)

In consideration of the premium charged, it is hereby understood and agreed that the Insurer shall not be liable to make any payment for Loss in connection with any claim or claims made against the Directors or Officers:

- A. alleging, arising out of, based upon, attributable to, or in any way involving, directly or indirectly the hazardous properties of nuclear material, including but not limited to:
- (1) nuclear material located at any nuclear facility owned by, or operated by or on behalf of, the Company, or discharged or dispersed therefrom; or
 - (2) nuclear material contained in spent fuel or waste which was or is at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of the Company; or
 - (3) the furnishing by an insured or the Company of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any nuclear facility; or
 - (4) claims for damages to the company or its shareholders which alleges, arises from, is based upon, is attributed to or in any way involves, directly or indirectly, the hazardous properties of nuclear material.
- B.
- (1) which is insured under a nuclear energy liability policy issued by the Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability underwriters or Nuclear Insurance Association of Canada or would be insured under any such policy but for its termination or exhaustion of its Limit of Liability; or
 - (2) with respect to which (a) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (b) the Company or any insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.

As used in this endorsement:

"hazardous properties" include radioactive, toxic or explosive properties;

"nuclear material" means source material, special nuclear material or byproduct material;

END 005

AIG/GE HFS 00226

ENDORSEMENT# 5 (continued)

"source material", "special nuclear material", and "byproduct material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof;

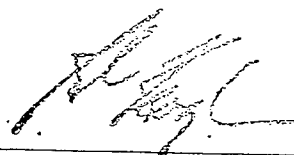
"spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a nuclear reactor;

"waste" means any waste material (1) containing byproduct material and (2) resulting from the operation by any person or organization of any nuclear facility included within the definition of nuclear facility under paragraph (a) or (b) thereof;

"nuclear facility" means

- (a) any nuclear reactor,
- (b) any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing spent fuel, or (3) handling, processing or packaging waste,
- (c) any equipment or device used for the processing, fabricating or alloying of special nuclear material if at any time the total amount of such material in the custody of the insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235.
- (d) any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste, and includes the site on which any of the foregoing is located, all operations conducted on such site and all-premises used for such operations;

"nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material.



AUTHORIZED REPRESENTATIVE

END 005

AIG/GE HFS 00227

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to *MANAGED HEALTH CARE SYSTEMS*

by *National Union Fire Insurance Company of Pittsburgh, Pa.*

Specific Investigation/ Claim/Litigation/Event

In consideration of the premium charged, it is hereby understood and agreed that, without limiting the effectiveness of exclusions (d) or (e) of the policy, the Insurer shall not be liable to make any payment for Loss in connection with: (i) any of the Claim(s), notices, events, investigations or actions referred to in any of items (1) through (3) below; (hereinafter "Events"); (ii) the prosecution, adjudication, settlement, disposition, resolution or defense of: (a) any Event(s) or (b) any Claim(s) arising from any Event(s); or (iii) any Wrongful Act(s), underlying facts, circumstances, acts or omissions in any way relating to any Event(s):

- (1) Wrongful termination suit brought by former President/ COO in 1996 and anything related.
- (2) MCAD charge brought by Bonnie Allen and anything related.
- (3) MA Attorney General Office claim involving non-payment of wage complaint brought by Paula Choquette and Loretta Connor and anything related.

It is further understood and agreed that the Insurer shall not be liable for any Loss in connection with:

(A) any restatement, retraction, amendment or revision of in part or in whole:

- (i) any document or statement filed or submitted or required to be filed or submitted with the Securities and Exchange Commission or any other similar federal, state or local agency (including but not limited to any 10K's, 10Q's or annual reports); or
- (ii) any written or oral statement made regarding the assets, revenues, sales or financial condition of the Company,

resulting from, arising out, based upon or attributable to any Event or the resolution of said Events; and

- (B) any Claim(s) alleging, arising out of, based upon, attributable to or in any way related directly or indirectly, in part or in whole, to an Interrelated Wrongful Act (as that term is defined below), regardless of whether or not such Claim involved the same or different Insureds, the same or different legal causes of action or the same or different claimants or is brought in the same or different venue or resolved in the same or different forum.

For the purposes of this endorsement an "Interrelated Wrongful Act" means: (i) any fact, circumstance, act or omission alleged in any Event(s) and/or (ii) any Wrongful Act which is

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by *National Union Fire Insurance Company of Pittsburgh, Pa.*

the same as, similar or related to or a repetition of any Wrongful Act alleged in any Event(s).

ALL OTHER TERMS, CONDITIONS AND EXCLUSION REMAIN UNCHANGED.



AIG/GE HFS 00229

AUTHORIZED REPRESENTATIVE

ENDORSEMENT# 7

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to *MANAGED HEALTH CARE SYSTEMS*

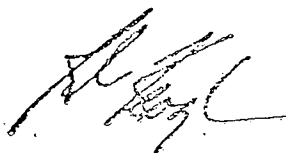
by *National Union Fire Insurance Company of Pittsburgh, Pa.*

FINAL DETERMINATION WORDING

In consideration of the premium charged, it is hereby understood and agreed that Exclusions (a), (b), (c) and (d) are deleted in their entirety and replaced by the following:

- (a) arising out of, based upon or attributable to the gaining of any profit or advantage to which a judgment or final adjudication adverse to the Insured(s) or an alternative dispute resolution proceeding establishes the Insured(s) was not legally entitled;
- (b) arising out of, based upon or attributable to the committing of any criminal or deliberate fraudulent act which a judgment or final adjudication adverse to the Insured(s) or an alternative dispute resolution proceeding establishes the such criminal or deliberate fraudulent act occurred;
- (c) arising out of, based upon or attributable to the payment to the Insureds of any remuneration without the previous approval of the stockholders of the Company, which payment without such previous approval shall be held through a judgment or final adjudication adverse to the Insured(s) or an alternative dispute resolution proceeding to have been illegal;
- (d) arising out of, based upon or attributable to profits in fact made from the purchase or sale by the Insureds of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any state statutory law if a judgment or final adjudication adverse to the Insured(s) or an alternative dispute resolution proceeding establishes that such 16(b) violation occurred;

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.



AUTHORIZED REPRESENTATIVE

END 007

AIG/GE HFS 00230

ENDORSEMENT # 8

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to MANAGED HEALTH CARE SYSTEMS

By National Union Fire Insurance Company of Pittsburgh, PA

FOR-PROFIT HEALTH CARE ORGANIZATION
AMENDATORY ENDORSEMENT

In consideration of the premium charged, it is hereby understood and agreed that this policy is amended as follows:

I. AMENDMENTS TO DEFINITIONS

- A. The Definition of Individual Insured(s) shall be amended to include the following at the end thereof:

Individual Insureds shall also include any past, present or future member of any duly constituted committee ("Committee Member"); any individual person engaged by a duly constituted committee for purposes of providing an expert opinion with regard to peer review or credentialing decision concerning an individual physician ("Outside Expert"); any individual in charge of any operational department ("Department Head") or any medical director, staff physician or faculty member of the Company, regardless of whether or not such person is directly employed by the Company or is considered to be an independent contractor.

- B. The Definition of Loss shall be amended to include the following at the end thereof:

1. IRS FINES

Loss shall include Defense Costs incurred in connection with a Claim seeking an assessment of taxes, initial taxes, additional taxes, tax deficiencies, excise taxes or penalties pursuant to the following sections of the Internal Revenue Code of 1986 (as amended):

Section 4911 (tax on excess expenditures to influence legislation);
Section 4940 (a);
Section 4941 (taxes on self-dealing);
Section 4942 (taxes on failure to distribute income);
Section 4943 (taxes on excess business holding);
Section 4944 (taxes on investments which jeopardize charitable purpose);
Section 4945 (taxes on taxable expenditures);

Section 6652 (c) (1) (A) and (B) (penalties for failure to file certain information returns or registration statements);
Section 6655 (a) (1) (penalties for failure to pay estimated income tax); and
Section 6656 (a) and (b) (penalties for failure to make deposit of taxes).

2. EMTALA COVERAGE

- a. The Definition of Claim(s) is amended to include the following: Claim shall also mean a civil lawsuit alleging a violation pursuant to the Emergency Medical Treatment and Active Labor Act ("EMTALA"), 42 U.S.C., 1396dd *et seq.*, and any similar state or local statute (herein "EMTALA Claim(s)").
- b. The Definition of Loss is amended to include coverage for civil fines and penalties assessed pursuant to an EMTALA Claim.
- c. It is further understood that a sublimit of liability in the amount of \$150,000 shall apply to all EMTALA Claims made and reported during the Policy Period or Discovery Period (if applicable) combined (hereinafter "Sublimit of Liability"). This Sub-Limit of Liability shall be part of and not in addition to the aggregate Limit of Liability stated in the Item of the Declarations entitled Limit of Liability.
- d. Solely for the purposes of the coverage afforded herein to EMTALA Claims, exclusion (m) is modified by deleting the phrase "alleging, arising out of, based upon or attributable to" and replacing it with the word "for".

3. GOVERNMENTAL FUNDING DEFENSE COST COVERAGE

Loss shall not include the return of funds which were received from any federal, state or local governmental agency and any interest, fines or penalties arising out of the return of such funds; provided, however, that with regard to Claims for Wrongful Acts arising out of the return, or request to return such funds, this policy shall pay Defense Costs up to an amount not to exceed \$1,000,000 ("Government Funding Defense Costs Sublimit"). This Sub-Limit of Liability shall be part of and not in addition to the aggregate Limit of Liability stated in the Item of the Declarations entitled Limit of Liability. With respect to any Defense Costs coverage afforded pursuant to this paragraph 3, it is understood that: the Insurer shall be liable to pay 50% of such Defense Costs, excess of a retention in the amount of \$1,000,000, up to the Government Funding Defense Costs Sublimit, and subject to the Limit of Liability listed on the Declarations Page. It being a condition of this insurance that the remaining 50% of such Defense Costs shall be carried by the Insureds at their own risk and be uninsured.

It is further understood and agreed that solely with respect to the Governmental Funding Defense Cost coverage provided pursuant to the above paragraph, the No Liability retention waivers located in the section of the policy entitled RETENTION CLAUSE are deleted in their entirety.

4. EXCESS BENEFIT PENALTY COVERAGE

Loss shall also include any "Excess Benefits" penalty assessed in the amount of 10% by the Internal Revenue Service ("IRS") against any Insured(s) for management's involvement in the award of an "Excess Benefit" and the Defense Costs attributable thereto. Loss shall specifically exclude: (1) any 25% penalty assessed by the IRS against an Insured deemed to have received an Excess Benefit; (2) Defense Costs incurred to defend any Insured if it has been in fact determined that such individual received an Excess Benefit; and (3) any 200% penalty assessed by the IRS for failure to correct the award of an Excess Benefit. In all events, the assessment by the IRS of a 200% penalty against any Insured shall void ab initio all coverage afforded pursuant to this paragraph.

For purposes of this endorsement, the term "Excess Benefits" means an excess benefit as defined in the Taxpayer Bill of Rights Act, 2, 26 U.S.C. 4958.

C. The Definition of Wrongful Act is amended to include the following at the end thereof:

With respect to all Insureds, any alleged defect in peer review or credentialling.

II. AMENDMENTS TO EXCLUSIONS

1. Exclusions 4 (f) is deleted in its entirety and replaced with the following:

(f) alleging, arising out of, based upon or attributable to any actual or alleged contractual liability of the Company or an Insured under any express (written or oral) contract or agreement (including, but not limited to, any liquidated damages, severance agreement or payment, golden parachute agreement, or any compensation agreement payable upon the termination of any Insured); provided, however, that this exclusion shall not apply to:

- Carve out - (1) Employment Practices Claims to the extent that any liability does not arise from such express contract or agreement; or

(2) Claims for Loss alleging Wrongful Acts of an Insured(s) with respect to hospital practice, privileges, credentialling or peer review matters.

2. The following additional exclusions are added to the end of Clause 4. EXCLUSIONS:

(s) alleging, arising out of, based upon or attributable to any failure or omission on the part of the Insureds or the Company to effect and maintain insurance;

(t) alleging, arising out of, based upon or attributable to, or in any way involving, either directly or indirectly, antitrust violations, price fixing, price discriminations, unfair competition, deceptive trade practices and/or monopolies, including any actions, proceedings, claims or investigations related thereto;

(u) alleging, arising out of, based upon or attributable to the Insureds performance or rendering of or failure to perform or render medical or other professional services or treatments for others; provided, however, that this exclusion shall not apply to:

(1) Employment Practices Claims;

(2) Claims for Loss alleging Wrongful Acts of an Insured(s) peer review or credentialing processes;

(v) alleging, arising out of, based upon or attributable to any Human Clinical Trial. For purposes of this exclusion (v), "Human Clinical Trial" shall mean any study utilizing humans to provide clinical data for the assessment of a medical treatment, procedure or pharmaceutical.

III. AMENDED CLAUSE 9

Clause 9 is deleted in its entirety and replaced with the following:

9. PRE-AUTHORIZED DEFENSE ATTORNEYS FOR ALL CLAIMS

This Clause 9 applies to all Claims.

Affixed as Appendix A hereto and made a part of this policy is a list or lists of Panel Counsel law firms ("Panel Counsel Firms") from which a selection of legal counsel shall be made to conduct the defense of all Claims against an Insured pursuant to the terms set forth below.

In the event the Insurer has assumed the defense pursuant to Clause 8 of this policy, then the Insurer shall select a Panel Counsel Firm to defend the Insureds. In the event

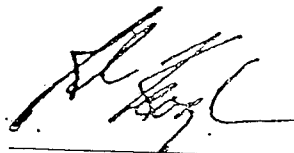
the Insureds are already defending a Claim, then the Insureds shall select a Panel Counsel Firm to defend the Insureds.

The selection of the Panel Counsel Firm, whether done by the Insurer or the Insureds, shall be from the list of Panel Counsel Firms designated for the type of Claim and be from the jurisdiction in which the Claim is brought. In the event a Claim is brought in a jurisdiction not included on the appropriate list, the selection shall be made from a listed jurisdiction which is the nearest geographic jurisdiction to either where the Claim is maintained or where the corporate headquarters or state of formation of the Named Entity is located. In such instance, however, the Insurer shall, at the written request of the Named Entity, assign a non-Panel Counsel Firm of the Insurer's choice in the jurisdiction in which the Claim is brought to function as "local counsel" on the Claim to assist the Panel Counsel Firm which will function as "lead counsel" in conducting the defense of the Claim.

With the express prior written consent of the Insurer, an Insured may select (in the case of the Insured defending the Claim), or cause the Insurer to select (in the case of the Insurer defending the Claim), a Panel Counsel Firm different from that selected by other Insured defendants if such selection is required due to an actual conflict of interest or is otherwise reasonably justifiable.

The list of Panel Counsel Firms may be amended from time to time by the Insurer. However, no change shall be made to the specific list attached to this policy during the Policy Period without the consent of the Named Entity.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.


Authorized Representative

ENDORSEMENT# 8 (Continued)

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to MANAGED HEALTH CARE SYSTEMS

by National Union Fire Insurance Company of Pittsburgh, Pa.

C. The Definition of Wrongful Act is amended to include the following at the end thereof:

With respect to all Insureds, any alleged defect in peer review or credentialling.

II. AMENDMENTS TO EXCLUSIONS

1. Exclusions 4 (h) is deleted in its entirety and replaced with the following:

(h) alleging, arising out of, based upon or attributable to any actual or alleged contractual liability of the Company or an Insured under any express (written or oral) contract or agreement (including, but not limited to, any liquidated damages, severance agreement or payment, golden parachute agreement, or any compensation agreement payable upon the termination of any Insured); provided, however, that this exclusion shall not apply to:

- (1) Employment Practices Claims to the extent that any liability does not arise from such express contract or agreement; or
- (2) Claims for Loss alleging Wrongful Acts of an Insured(s) with respect to hospital practice, privileges, credentialling or peer review matters.

2. The following additional exclusions are added to the end of Clause 4. EXCLUSIONS:

- (r) alleging, arising out of, based upon or attributable to any failure or omission on the part of the Insureds or the Company to effect and maintain insurance;
- (s) alleging, arising out of, based upon or attributable to, or in any way involving, either directly or indirectly, antitrust violations, price fixing, price discriminations, unfair competition, deceptive trade practices and/or monopolies, including any actions, proceedings, claims or investigations related thereto;
- (t) alleging, arising out of, based upon or attributable to the Insureds performance or rendering of or failure to perform or render medical or other professional services or treatments for others; provided, however, that this exclusion shall not apply to:
 - (1) Employment Practices Claims;
 - (2) Claims for Loss alleging Wrongful Acts of an Insured(s) peer review or credentialling processes;

END

ENDORSEMENT# 8 (Continued)

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to MANAGED HEALTH CARE SYSTEMS

by National Union Fire Insurance Company of Pittsburgh, Pa.

(u) alleging, arising out of, based upon or attributable to any Human Clinical Trial.
For purposes of this exclusion (u), "Human Clinical Trial" shall mean any study
utilizing humans to provide clinical data for the assessment of a medical
treatment, procedure or pharmaceutical.

III. AMENDED CLAUSE 9

Clause 9 is deleted in its entirety and replaced with the following:

9. PRE-AUTHORIZED DEFENSE ATTORNEYS FOR ALL CLAIMS

This Clause 9 applies to all Claims.

Affixed as Appendix A hereto and made a part of this policy is a list or lists of Panel
Counsel law firms ("Panel Counsel Firms") from which a selection of legal counsel
shall be made to conduct the defense of all Claims against an Insured pursuant to the
terms set forth below.

In the event the Insurer has assumed the defense pursuant to Clause 8 of this policy,
then the Insurer shall select a Panel Counsel Firm to defend the Insureds. In the event
the Insureds are already defending a Claim, then the Insureds shall select a Panel
Counsel Firm to defend the Insureds.

The selection of the Panel Counsel Firm, whether done by the Insurer or the Insureds,
shall be from the list of Panel Counsel Firms designated for the type of Claim and be
from the jurisdiction in which the Claim is brought. In the event a Claim is brought in
a jurisdiction not included on the appropriate list, the selection shall be made from a
listed jurisdiction which is the nearest geographic jurisdiction to either where the
Claim is maintained or where the corporate headquarters or state of formation of the
Named Entity is located. In such instance, however, the Insurer shall, at the written
request of the Named Entity, assign a non-Panel Counsel Firm of the Insurer's choice
in the jurisdiction in which the Claim is brought to function as "local counsel" on the
Claim to assist the Panel Counsel Firm which will function as "lead counsel" in
conducting the defense of the Claim.

With the express prior written consent of the Insurer, an Insured may select (in the
case of the Insured defending the Claim), or cause the Insurer to select (in the case of
the Insurer defending the Claim), a Panel Counsel Firm different from that selected by

END

(2/90)

INSU

AIG/GE HFS 00237

ENDORSEMENT# 8 (Continued)

This endorsement, effective 12:01 am August 4, 2001 forms a part of
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issued to *MANAGED HEALTH CARE SYSTEMS*

by *National Union Fire Insurance Company of Pittsburgh, Pa.*

other insured defendants if such selection is required due to an actual conflict of interest or is otherwise reasonably justifiable.

The list of Panel Counsel Firms may be amended from time to time by the Insurer. However, no change shall be made to the specific list attached to this policy during the Policy Period without the consent of the Named Entity.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

END

(2/90)

INSU

AUTHORIZED REPRESENTATIVE

AIG/GE HFS 00238

ENDORSEMENT# 9

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to MANAGED HEALTH CARE SYSTEMS

by National Union Fire Insurance Company of Pittsburgh, Pa.

EXCLUSION J AMENDED

In consideration of the premium charged herein it is understood and agreed that Clause 4. EXCLUSIONS, as amended by Endorsement #1 (DIRECTORS, OFFICERS AND CORPORATE REIMBURSEMENT INSURANCE POLICY CONVERSION TO PRIVATE EDGE POLICY) is hereby further amended by deleting Exclusion (n) in its entirety and replacing it with the following:

(n) alleging, arising out of, based upon or attributable to any public or private offering of securities by the Company, an Outside Entity or an Affiliate or alleging a purchase or sale of such securities subsequent to such offering;

provided, however, that this exclusion will not apply to:

- (1) any purchase or sale of securities exempted pursuant to section 3(b) of the Securities Act of 1933. Coverage for such purchase or sale transaction shall not be conditioned upon payment of any additional premium; however, the Named Entity shall give the Insurer written notice of any public offering exempted pursuant to section 3(b), together with full particulars and as soon as practicable, but not later than 30 days after the effective date of the public offering;
- (2) to any private offering of securities if such private offering is less than or equal to \$15,000,000 in proceeds; coverage for such private offering shall not be conditioned upon payment of any additional premium; however, the Named Entity shall give the Insurer written notice of any such private offering together with full particulars and as soon as practicable, but not later than 30 days after the effective date of such private offering;
- (3) to any offering of securities (other than a public offering described in paragraph (1) above or a private offering described in paragraph (2) above), as well as any purchase or sale of such securities subsequent to such offering, in the event that within 30 days prior to the effective time of such offering: (i) the Named Entity shall give the Insurer written notice of such offering together with full particulars and underwriting information required thereto; and (ii) the Named Entity accepts such terms, conditions and additional premium

END

(2/90)

INSU

AIG/GE HFS 00239

ENDORSEMENT# 9

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to MANAGED HEALTH CARE SYSTEMS

by National Union Fire Insurance Company of Pittsburgh, Pa.

EXCLUSION J AMENDED

In consideration of the premium charged herein it is understood and agreed that Clause 4. EXCLUSIONS, as amended by Endorsement #1 (DIRECTORS, OFFICERS AND CORPORATE REIMBURSEMENT INSURANCE POLICY CONVERSION TO PRIVATE EDGE POLICY) is hereby further amended by deleting Exclusion (n) in its entirety and replacing it with the following:

(n) alleging, arising out of, based upon or attributable to any public or private offering of securities by the Company, an Outside Entity or an Affiliate or alleging a purchase or sale of such securities subsequent to such offering;

provided, however, that this exclusion will not apply to:

- (1) any purchase or sale of securities exempted pursuant to section 3(b) of the Securities Act of 1933. Coverage for such purchase or sale transaction shall not be conditioned upon payment of any additional premium; however, the Named Entity shall give the Insurer written notice of any public offering exempted pursuant to section 3(b), together with full particulars and as soon as practicable, but not later than 30 days after the effective date of the public offering;
- (2) to any private offering of securities if such private offering is less than or equal to \$15,000,000 in proceeds; coverage for such private offering shall not be conditioned upon payment of any additional premium; however, the Named Entity shall give the Insurer written notice of any such private offering together with full particulars and as soon as practicable, but not later than 30 days after the effective date of such private offering;
- (3) to any offering of securities (other than a public offering described in paragraph (1) above or a private offering described in paragraph (2) above), as well as any purchase or sale of such securities subsequent to such offering, in the event that within 30 days prior to the effective time of such offering: (i) the Named Entity shall give the Insurer written notice of such offering together with full particulars and underwriting information required thereto; and (ii) the Named Entity accepts such terms, conditions and additional premium

ENDORSEMENT# 9 (Continued)

This endorsement, effective 12:01 am August 4, 2001 forms a part of
policy number 873-87-52
issued to *MANAGED HEALTH CARE SYSTEMS*

by *National Union Fire Insurance Company of Pittsburgh, Pa.*

required by the Insurer for such coverage. Such coverage is also subject to the Named Entity paying when due any such additional premium. In the event the Named Entity gives written notice with full particulars and underwriting information pursuant to (i) above, then the Insurer must offer a quote for coverage under this paragraph;

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

AIG/GE HFS 00241



AUTHORIZED REPRESENTATIVE

ENDORSEMENT #10

This endorsement, effective 12:01 A.M., *August 4, 2001* forms a part of
Policy number: *873-87-52*
Issued to: *Managed Health Care Systems*

by: *National Union Fire Insurance Company of Pittsburgh, PA*

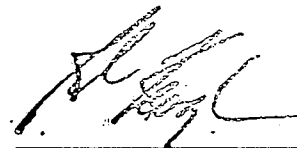
NAMED INSURED AMENDED

In consideration of the premium charged, it is hereby understood and agreed that the Name of Insured in Item 1 of the Declarations page is amended to read as follows:

ITEM 1: Name of Insured: Managed Health Care Systems, Inc.

 Mailing Address: 99 Derby Street
 Suite 300
 Hingham, MA 02043

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.



Authorized Representative